



**CHINA-CEE INSTITUTE**

**AN OVERVIEW OF CENTRAL  
AND EASTERN EUROPE  
DEVELOPMENT IN 2020**

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## Preface

The year 2020 was very challenging for all the countries and regions around the world. When it comes to the coronavirus pandemic in Europe, it basically never stopped since it broke out in March 2020. The pandemic situation has not only led to low economic growth, but also exerted enormous influence on all aspects of societies. Apart from the great reduction in economic activities in various sectors, the coronavirus affected domestic political developments in CEE countries, including elections at local and national levels, challenged social developments including schooling and domestic violence, and seriously impeded efforts to promote external relations and international cooperation.

The book provides an overview of major developments in 16 CEE countries and Greece in 2020. It is the fourth collection of annual reports published by China-CEE Institute and covers 16 Central and Eastern European countries as well as Greece. China-CEE Institute has included Greece in its Country-Study research since 2018. In April 2019, Greece officially joined China-CEEC Cooperation Framework, and the “16+1” cooperation was renamed to “17+1” cooperation.

The structure of the book is divided into four aspects: domestic politics, economic situation, social development and external relations. All reports were written by scholars from Central and Eastern European countries at the end of 2020. All reports are original and provide excellent insights into the developments of Central and Eastern European countries in 2020 under the background of the coronavirus pandemic. The English version of the individual reports has been published on the website of China-CEE Institute. The views in the book are represented by the individual authors instead of China-CEE Institute.

The China-CEE Institute, registered as a non-profit limited company in Budapest, Hungary, was established by the Chinese Academy of Social Sciences (CASS) in April 2017. The China-CEE Institute builds ties and strengthen partnerships with academic institutions and think tanks in Hungary, Central and Eastern European countries, as well as other parts of Europe. The China-CEE Institute aims to encourage scholars and researchers to carry out joint researches, field studies, to organize seminars and lecture series, to hold some training programs for younger students, and make publication, etc.

I hope that this book will be a valuable contribution to understanding developments of Central and Eastern Europe in the past year.

Prof. Dr. CHEN Xin

Executive President and Managing Director, China-CEE Institute

Deputy Director General, Institute of European Studies, CASS

# **Part I Review of Political Development**

# **Albanian politics in times of uncertainties**

**Marsela Musabelliu**

***Summary:** As 2020 was not an ordinary year, the Albanian political scene had to adapt to the implications of the pandemic. Although COVID-19 did alter some behavior and modus operandi, in essence the same pivotal figures had the main say in internal affairs, by intensifying so one of the most essential features of Albanian politics: events and discourse are not about policies or programs, they are about people. These people, usually “charismatic” figures, of the left or the right, are the very driving force and usually the ones singlehandedly responsible for all important matters of the country.*

## **An Electoral Reform prior to the elections**

As 2020 started with a roundtable of coinciding political interest, with its center the electoral reform, these talks as promising as they appeared, at the end did not reach a desirable outcome. By hoping to ameliorate the general situation of the Albanian political landscape and securing their parties continuity, both the ruling force and the opposition did not reach a consensus. After six month of talks and negotiations, it was all concluded as Prime Minister (PM) Edi Rama required: on July 30<sup>th</sup>, Albania became the first European country in 2020 that implemented constitutional changes in the heights of COVID-19 pandemic, as the Members of the Parliament (MP) approved a much controversial amendment to the Constitution, the debate in the political circles of the country sparked. This was an arbitrary action taken in a difficult situation for Albania. Indeed, by December 2020, the Venice Commission, stated that these changes to the Constitution and the Electoral Code were

extremely hasty and indicated that the Constitutional Court must assess their very constitutionality. They further recommended that all authorities, should avoid any further changes in the electoral legislation before the next parliamentary elections; in particular, the demarcation of constituencies. As the timing for the next elections is too close, any change will not be reflected properly on the ground. In short, Albania passed a reform that one of the advisory body of the Council of Europe, and one of the most influential legal institution of the European Union (the Venice Commission), does not approve.

### **The President and the PM**

This bizarre couple in Albanian politics has always been the center of consequential events for the country. As the total lockdown blocked the call for rallies from the President of the Republic Ilir Meta, against the Government of his own country (by describing the ongoing of the governmental attitude as a *Coup d'état*) – tones smoothed but actions continued. For Albanians however, this situation appears just a reprint of an old tale; it is more or less the same variation of what has happened repeatedly in previous years. If we analyze the behavior of the two, separately or together, they have a very distinct feature in common, unpredictability of actions. From this point of view, the relationship between the PM and the President is not a purely human relationship. This also goes to feed another stereotype, of Albanian political narrative, it is given for granted that when analyzing the highest institutions of policymaking it is understood the personal agenda of the leading figure of such institution; the Council of Ministers and the Presidency are no exception. Respectively Edi Rama and Ilir Meta have provided enormous contradictions for the Albanian people, regardless if they were in ruling positions or not. The political discord of the two has repeatedly undermined the developmental stage of Albania's institutions as well as the country's path to progress. On the other hand, whenever these two men align in their expressions and actions, there usually follows a time of cemented grip on

power, with strong elements of self-serving interests and intensifying of a centripetal line of governing.

### **The Left, the Right and the rest**

Practical advantages of the ruling political force in times of emergency as well as the astute sense of Rama's public relations on the Albanian society has been enhanced in the times of pandemic. If prior to the events caused by the spread of COVID-19 the political discourse was somehow balanced, with the impact of the opposition forces, in 2020 and the only central figure of Albanian politics remains PM Edi Rama.

### **The Left**

After two terms in power and what is obvious a governing fatigue, the ones in charge of managing the country however have no single trait of what a left-leaning-mindset should be operating in the executive branch, currently named the Socialist Party (PS). The main actors in the decision making apparatus, in the government or in important directorates are people who have nothing in common with the leftist principles. Rama is aware that he does not have the moral grounds to ask his socialist base for another term, but he is doing it anyway. Indeed, in mid-2020 he started with some "humbling" phrases and the wide sugarcoating of the existing situation, he was and still is beseeching the voters to stand by him one more time, because next time, he will be better and he will do more. By obviously being a leader who is annihilating the same party he controls, the greatest tragedy is not the current political cast of the Left, is the risk of altogether obliterate the Albanian Left, by making it obsolete and secluded. With a slight inclination on the sarcastic level, some political experts are calling the current ruling force "a New Left aristocracy led by outsiders". It is the belief of many that this rule of outsiders has nothing in common with the very foundations of the socialist movement in Albania, not even with any socialist value at all. However, although it may not be very loud, the true Albanian Left has the opportunity to accumulate in its core decent and

patriotic people whom as of 2020 have become the silent majority. Yet, for the time being the fate of the PS and the country as a whole lays in the hand of Edi Rama and his immediate entourage.

Only for the sake of denomination the Socialist Movement for Integration (LSI) will be placed under the Albanian Left. As history has demonstrated time and again, the party created by President Meta and currently led by his wife, has entered in pre and post electoral coalitions with the Right and with the Left, however their latest inclination seems to reach the lines of nationalism rather than a force of the center-left. Their activities have many times tipped the balance of power in the country, and yet during 2020, what they will be remembered for are direct opposition to the PM and frantic attitude on public debates.

### **The right**

The Democratic Party (PD) in 2020 deepened its status and popular perception of a party at a political dead-end. The current dynamics within the PD resemble more to a saga of political (internal) inheritance rather than party that is aiming to political power in 2021. Sluggish and reluctant, distant and somehow out-of-touch with reality, this party seems to have accepted its fate that might as well be its final demise. Speculations and rumors about a potential “backroom” deal with their opponent (PS) are present and persistent now in the public discourse, also fueled by their attitude and comfort in being in opposition (something that has always bothered the right in the past). Furthermore, conspicuous factions on the rise due to fierce internal contradictions, have resulted in five other parties in the Right wing fronts, and all of them declare that they will run for the next elections with their representatives.

### **The rest?**

There are five new political parties created by the fragmentation of the PD, this rapid emergence of some new political parties, generally with well-known leaders or figures of the right, has reshuffled many spheres of influence, especially the one created by the former Speaker of the

Parliament, Topalli. These new parties in 2020 were trying to establish their spot into the public opinion perception by appealing to left and right wing voters equally. If the five would unite and attract others, the scene of the right might drastically change.

Another movement that is sparking interest is the Hashtag Initiative (*Nisma Thurje*) started as a very vocal group of Albanians and well known individuals, formed as civic initiative this group is transforming itself into a political party. Although not registered officially (as of Dec.2020) as a political entity they promised publically that they will participate in the next elections and their logo will be on the ballots. The most famous of their quotes “Albanians are not poor, they are robbed” has attracted many political outsiders by wanting to get rid of the old (establishment) and implement the new.

### **Conclusions**

Power, according to Hans Morgenthau, is man’s control over the minds and actions of other men. Power, in Albania during 2020 is not only one man’s control over the minds and actions of others, it is also the control of other people’s fate. As this year COVID-19 has impacted every aspect of the country’s reality, it has also been intertwined with the political agenda of the lead actors. Be this a political force or a single person, if politics in Albania was a pyramid, the struggle and animosity is only belonging to the top of it, because for the rest there is only the feeling of acquiescence. As grand causes and aspirations seem to take more a pseudo-philosophical turn, the public is fed on daily bases with futile news, while politics takes care only of its own, the country is coping with yet another year of failed promises and many more hardships to endure. There are two areas that could change the Albanian political physiognomy forever: the Electoral Reform and Justice Reform and none of them had any viable alternative in 2020.



## **BiH in 2020: Governing under COVID-19**

**Zvonimir Stopić**

***Summary:** As in the rest of the region and most of the world, Bosnia and Herzegovina's politics in 2020 was heavily influenced by the emergence of the SARS-CoV-2 coronavirus. However, the coronavirus and the subsequent COVID-19 disease only slightly influenced the usual, circular and very much expected turn of events which tirelessly fuel Bosnia and Herzegovina's politics. When we look at the whole year, we can see that the celebrations of controversial partly-national holidays, struggle over Bosnia and Herzegovina's constitution and judicial system, hyping up the religious and ethnic differences, political manipulations of historical events, continuation of the rigid political agendas, and misuse of selective memory in public, along with the expected political affairs regarding misuse of public funds, were all present underneath the surface of the coronavirus pandemics. The only positive outcome of the pandemics, the somewhat unified and firm stance toward the spread of the disease, shown in the initial months of the pandemics on the level of the entire Bosnia and Herzegovina, unfortunately ended up being short lived. As soon as Bosnia and Herzegovina leaders adjusted to the new circumstances, the usual political altercations continued in form adjusted to the disease.*

As it was the case in previous years, the 2020 began much as it was expected. The controversial and unconstitutional celebrations of the Republika Srpska Day on January 9th, organized by the leader of the Alliance of Independent Social Democrats (Savez nezavisnih socijaldemokrata, SNSD) Milorad Dodik in Banja Luka, stirred up a lot of attention domestically and internationally. This public deliberate defiance to the rulings of the Bosnia and Herzegovina's Constitutional Court was yet another demonstration of just how easy is for Republika Srpska to

do as it please, and how strong are the demands for actual independence of Republika Srpska from Bosnia and Herzegovina. In the background of this demonstration, Bosnia and Herzegovina was undergoing a certain constitutional crisis, which revolved around the question of rights of ownership over the public agricultural lands. The issue occurred after the National Assembly of Republika Srpska unilateral decided that such lands belong to entities, thus making a claim to all public agricultural land in Republika Srpska. The Constitutional Court of Bosnia and Herzegovina in turn proclaimed this decision unconstitutional, claiming that the agricultural lands in public domain can only belong to the state itself. As expected, the reaction from Republika Srpska's leading politicians was harsh, with Dodik taking the lead. On one hand, in the National Assembly of Republika Srpska's (RS) February 17th session, Dodik pompously proclaimed the end of Bosnia and Herzegovina (BiH) by stating "Goodbye BiH, welcome RS exit," while on the other he reached for the well proven political tool in Bosnia and Herzegovina - boycott of Bosnia and Herzegovina's political institutions, which once again rendered the state dysfunctional on many levels. The pre-coronavirus period ended with yet another, but also predictable event, the celebration of Federation of Bosnia and Herzegovina's independence (March 1st), which for Republika Srpska'a represents a painful reminder of traumatic days for Serbs who have in 1992 lost a common state.

The emergence of the coronavirus in Bosnia and Herzegovina on March 5th, although not instantly, changed the focus of politicians for a short while. March and April showed that entire Bosnia and Herzegovina, when it comes to non-political outside threat, does have the capability to act as a unified state. At least until all get acquainted to the new situation. Most of the restrictions were implemented at the end of March and beginning of April and lasted in full until the end of April and beginning of May, when the officials concluded that the containment of the disease reached high enough level and that country cannot afford to continue with the full lockdown. In this period, new hospitals were promptly set up, and the country on the state and entity levels began stacking supplies and

spreading infrastructure for fighting with the disease in the future. The first wave of the COVID-19 coronavirus disease helped to resolve the previously mentioned constitutional crisis. On May 14th, after a close call voting, the Constitutional Court of Bosnia and Herzegovina ruled against Dodik's request for the revision of Dayton Accords, which stipulate that foreign judges always have to be a part of Bosnia and Herzegovina's Constitutional Court. Dodik's idea to fill the Constitutional Court judge positions only with citizens of Bosnia and Herzegovina, which would no double open possibilities for further revisions of the constitution, was rejected. Another positive step forward for Bosnia and Herzegovina also happened in May. On May 7th, the European Commission announced that Bosnia and Herzegovina, together with Ethiopia, Guyana, Laos, Sri Lanka and Tunisia, was removed from the list of high-risk countries in terms of money laundering and terrorist financing.

However, the unity and focus on fighting against the coronavirus did not last long. Several affairs in mismanagement and embezzlement of millions of euros of public funds secured for purchase of equipment much needed for struggle against the COVID-19, in both Federation of Bosnia and Herzegovina and Republika Srpska, showed once more that Bosnia and Herzegovina's 101st place out of 180 on a Transparency International's annual global corruption list is well earned. These reminders showed that not much is changing in this country were further supported once politics tuned in on memorials of two grim historic events, again with various types of predictable manipulations. The remembrance Bleiburg repatriations in May, was thus this year for the first time marked by a requiem mass in the Sarajevo Cathedral of the Sacred Heart of Jesus, while the Srebrenica genocide, remembered in July, is further being pushed into state of relativization and even oblivion.

The last quarter of the 2020, was marked by the preparation for local (municipal) election, under the difficult task of managing of the reemergence of the COVID-19 pandemics, which from September spread through entire Bosnia and Herzegovina, making each month's numbers of diseased and deceased significantly higher than the previous one. Besides

the construction work on public infrastructure, ceremonial cutting of the ribbons on hastily finished projects, and numerous billboards wearing faces of politicians who are making promises they most likely will not be able to keep, many of the recurring irregularities were once again noted during the period of campaigning and “preparations” for the upcoming elections, showing that democracy practices in Bosnia and Herzegovina still has a lot of room for improvement. Reports from all over Bosnia and Herzegovina showed that during the few months that preceded the elections there were between 30 and 50 % more spending from the budget secured for public procurements, public funds were on occasion used for funding projects which were already finished for previous elections, the donations from large companies to political parties, which after the elections return the favor with lucrative contracts, are almost impossible to track, practices of illegal transfer of the voting names to foreign countries (mostly Serbia), the fact that the deceased people can still vote, etc. In combination to frequent episodes of political lockdowns, constant “affairs” of various nature, multitude of examples of embezzlement or mismanagement of public funds, etc., these practices played its role in further lowering the already low confidence the citizens of Bosnia and Herzegovina have for local and state institutions and the politicians who represent them. Still, the 7th local (municipal) elections were successfully held on November 15th for the most part. Although for most of the electoral units the results itself showed little change regarding the past elections, leaving the same political forces in power, potentially significant shifts did occur. The most interesting changes occurred in the cities of Banja Luka and Sarajevo, where parties of Dodik and Bakir Izetbegović (Party of Democratic Action; Stranka Demokratske Akcije; SDA), respectively, failed to win overall majority or secure governors and majors, which will no doubt create new frictions in the near future of Bosnia and Herzegovina politics.

## **Conclusion**

When it comes to Bosnia and Herzegovina, it is more or less safe to say that the year 2020 failed to bring anything significantly new or positive.

The SARS-CoV-2 coronavirus pandemics did change some of the variables, but the general equation remained the same for the most part. The struggle between the entities, ethnicities and the political forces that are born from them, as well as the attempts to politically outmaneuver each other, remained more or less the same throughout the year. Perhaps the only true difference, if we would compare this year with those that came before, which occurred due to the SARS-CoV-2 coronavirus changing the focus for a while, was the (temporary) slowing down of some more volatile ideas of political solutions for Bosnia and Herzegovina, such as the attempts to change certain parts of the Dayton Accords, the further advances toward independency of Republika Srpska or the elevation of the political status of several cantons in Herzegovina. Just how much danger exist in such ideas was demonstrated by the last local (municipal) election, which showed that voting in Bosnia and Herzegovina is based almost exclusively on ethnicity, and very little, if at all, on ethnically neutral political programs based on ideas of progress.

## **Overview of the Political 2020 year for Bulgaria**

### **Evgeniy Kandilarov**

The political year 2020 for Bulgaria was extremely tense and complicated. It was filled with many political scandals, parliamentary and extra-parliamentary clashes and struggles, “wars” between institutions, civil protests, etc. All this happened in an extremely severe and serious health, social and economic crisis, which further increased political tensions and led to almost complete collapse of citizens' trust in the main state institutions and the democratic political process in general.

At the very beginning of the year, a scandal broke out between Bulgarian President Rumen Radev and Chief Prosecutor Ivan Geshev who released wiretaps, which were supposed to prove that the President Radev might be involved in criminal activity, thwarting the provision of information to the investigating authorities by invoking his immunity.

Political tensions peaked when on February 4 Speaking at a specially-arrange address broadcast live on television, President Radev said that Bulgaria was witnessing a grave crisis of governance at all levels. During this formal address to the people the President strongly criticized government accusing it in lack of will for fight against corruption and in continues violation of law and morality that led Bulgaria to paralysis of entire public systems and institutions with no analogue in the contemporary Bulgarian history. So at the end of his speech the President announced that he officially withdraws his trust from the cabinet of Boiko Borisov. According to the Head of State, the Council of Ministers does not work for the benefit and interest of the people in Bulgaria, even on the contrary - it implements reforms quietly without informing the people about the consequences.

Political tensions between the institutions have intensified since the break of the global pandemic. For the first time in Bulgarian modern

history, a State of Emergency has been voted into effect. The vote was approved unanimously by Parliament on March 13, at the proposal of the government, to enable augmented responses to Covid-19 new coronavirus. The emergency measures have further increased political tensions in the country. There was again a direct confrontation between President Rumen Radev and the government over sharp criticism from the president that the government violated human rights and sought to establish a kind of authoritarian dictatorship regime by violation of the democratic principles and restricting democratic freedoms.

Over the last two weeks of April, political tensions in Bulgaria have increased in regard to the growing negative socio-economic impact of the global pandemic. The government's actions have provoked sharp criticism from the Parliamentary opposition as well escalating to strong accusations made mainly by the Bulgarian Socialist Party toward Prime Minister Boyko Borisov.

The reason for this was the refusal of the Prime Minister to face the parliament and answer the opposition's questions related to the government's actions related with the coronavirus crisis. This gave the opposition additional reasons to accuse the government that it is destroying the parliamentary order and is slowly approaching the establishment of a dictatorship.

With the end of the state of emergency in June and with the intensification of the negative socio-economic effects of the pandemic, the political tensions between the opposition and the ruling parties in the country increased enormously.

New stage of the internal political crises in the state was triggered by the outbreak of a new, even bigger political scandal. Audio recordings, photos and video were anonymously sent to the media in June and July. They showed a pistol, gold bars and bundles of 500-euro banknotes in the prime minister's nightstand in his bedroom. In order to defend himself then, Borissov gave a press conference convincing the audience that it was a

falsification and compromising matter done by someone who wants to discredit him.

Regardless the authenticity of all the compromising materials against Bulgarian Prime Minister this scandal totally undermined the trust in politicians and the political system in Bulgaria and gave the start of the biggest civil protest wave in the country since 2013-2014. For 116 days hundreds of thousands Bulgarians have been protesting every day in Sofia and many other cities around the country demanding the resignations of the government and of chief prosecutor Ivan Geshev. Nearly four months of anti-government protests have eroded public support for the centre-right GERB government of Prime Minister Boyko Borissov. The opinion polls are showing deepening political fragmentation amid concerns over corruption. However, Borissov has refused to step down until regular elections next March, saying the European Union's poorest country cannot afford political "chaos" ahead of a looming coronavirus economic crisis.

No matter that the protest movement failed to achieve its explicit goals - the resignation of the government and the chief prosecutor – it surely changed the political climate in Bulgaria and increased public criticism of the government significantly. In addition, the protest movement managed to achieve several goals, which proved its effectiveness. However the government has made a number of personnel changes and it has undoubtedly become more careful in its actions since it realized that any mistake could give new impetus to the protests.

However, one of the most important consequences of the political scandals and the wave of protests is that the new political situation in the country has led to an essential decline in support of the two main political parties - GERB and BSP.

Throughout the year the main opposition political force - the Bulgarian Socialist Party – experienced a serious internal party crisis. From one hand the socialist party was blamed by part of the society for not seeking the consent with the government and not fully supporting it in the fight against the virus and the consequences from the pandemic. Another



part of the society was accusing BSP for not imposing an alternative measures to the wrong policies of the same government.

In the internal party plan BSP went through a serious disintegration processes. An internal division is being formed in the party, as some of the party members declare themselves against the current chairman Kornelia Ninova. The internal party struggles were very intensive, which weakened the party's public position and give the impression of weakness and division. Meanwhile on September 12<sup>th</sup> Kornelia Ninova has won re-election as leader of the Bulgarian Socialist Party. This was the first direct election for chairperson of the Party with the votes of all party members. Until that time the leader of the party has being elected by the leadership body. Soon after that six members of Parliament have quitted the parliamentary group of the Bulgarian Socialist Party. The six include two of Ninova's defeated rivals in the party leadership election. All except one also resigned from their membership of the BSP. Undoubtedly, the sharp criticism to the leadership of the Bulgarian Socialist Party and the split of the party's parliamentary group are signs of a serious internal party political crisis of confidence, which could lead to a decrease in the number of voters for the party in the next parliamentary elections or a scattering of votes to other political formations in the left political space. This threatens to reduce the opposition strength of the BSP in the next parliament and, in general, to permanently weaken the presence and influence of left-wing political ideas in the future parliament of the country.

Meanwhile, new political formations were registered during the year, which will run in the race for the next parliament, and it appears that they will possibly be able to gain some public support.

One of these formations is the newly registered party of the TV showman Slavi Trifonov "There are such a people". According to electoral polls it reaches 8.6% of all eligible voters. The main claims of this party are for reducing the number of members in the National Assembly (from 240 to 120) and for implementing some aspects of direct democracy, including direct elections of many public positions.

Another newly established political party is the one headed by the former closest and most trusted person of the leader of the GERB (Boyko Borisov) and deputy chairman of the party - Tsvetan Tsvetanov. On August 27th the former second most important person in GERB organized a founding meeting of a new political party called "Republicans for Bulgaria". The new party is announced to be a centre-right and is also going to run for the next parliamentary elections.

Despite the emergence of some new political players, the overall situation in the country does not envisage any radical political change, mainly due to the apparent lack of any significant political alternative.

The 2020 year was very important for Bulgarian political life, mostly for one reason only. This is the upcoming parliamentary elections to be held in 2021. Therefore, for all main political forces in the country that have the ambition to participate in the next government, the development of the political situation is crucial. The starting positions of the major political players in Bulgaria have undergone a significant change during the year as a result of the emergency situation. However still very serious changes could occur by the spring of 2021, when the elections are scheduled.

The government of the Prime Minister Boyko Borissov is inevitably worrying about how the ruling GERB party and the prime minister personally will emerge from the continuous political crisis that took place during the almost whole 2020. That is why the government is trying to regain the support of the society and the business. Whether its efforts will be successful will be shown by the elections themselves.

More worrying is another negative trend, which is a consequence of the critical political processes in the country during the year. All surveys shows that in a situation of political crisis and constant civil protests as well as ongoing interinstitutional confrontation, the rating of the main state institutions continues is rapidly falling, and people's trust in the state itself is drastically declining. The greatest distrust is in the National Assembly and the state Government. This tendency threatens to undermine to the

greatest extent the foundations of the democratic political system, which is based on the trust of the people in politics, politicians, institutions and the government of the country. Unfortunately, in this respect, at the end of 2020, the Bulgarian society is in a state of total lack of trust in politics, political parties and state institutions.

## **A summary of 2020 key political events in Croatia**

**Valentino Petrović**

***Summary:** When attempting to summarize the key political events in the current year one needs to differentiate between the “core” political procedures that took place such as presidential, parliamentary and intra-party elections or the latest formation of parliamentary session, from other political events that helped in forming the political environment as it is. In 2020, Croatia had both, and very often the outside viewer could find a cause-and-effect relationship as one event was leading to the other with direct consequences. Some of these consequences will remain and perhaps will follow and unfold later in 2021.*

### **Introduction**

The political landscape in Croatia has changed quite a bit in the past couple of months with 2020 being an election year that started with presidential election runoff in January, Croatian Democratic Union (HDZ) intra-party election race in March, parliamentary elections in early summer and, as a consequence of the latter, the intra-party election in the main center-left option, Social Democratic Party (SDP). Both HDZ and SDP went through some major political uncertainties with public opinion and opinion polls changing quite often in favor of one or the other. The shifting between the two rival parties was further provoked when the former Prime Minister, Zoran Milanović, reemerged as the left-of-center presidential candidate and won the position of Head of State over the HDZ candidate, the incumbent Kolinda Grabar Kitarović. However, the two were followed by a former folk singer, Miroslav Škoro, who ended up on third place and soon afterwards he announced that his right-wing political option, the Homeland Movement, will begin preparation for parliamentary race. From

this perspective, one could argue that Croatian presidency over the Council of the European Union from January to June has been completely forgotten both in political terms and in terms of media coverage due to COVID-19 emergency and the mid-March 5.3 earthquake that hit Zagreb and surrounding areas. But in order to examine the whole year, we will start from the very beginning.

### **Two Different Characters**

When it was announced that Zoran Milanović will be the presidential candidate of SDP and other center-left parties in the 2019/2020 presidential elections, many were unsatisfied with that decision due to his previous mandate as the Prime Minister from 2011 to 2015 which was often described by his opponents as highly unsuccessful. Furthermore, Milanović had vocal opponents on the left political spectrum because of his fierce temper, immoderate vocabulary and previous flirtation with right-wing electorate during the 2015 parliamentary race. Almost every poll suggested Grabar Kitarović's victory, while some went so far to label Škoro as possible victor in case he manages to go through the runoff. Eventually, Milanović became the 5<sup>th</sup> President of the Republic and during the election night Prime Minister Andrej Plenković called for a "hard cohabitation" between him and the newly-elected President. In hindsight, we could say that Plenković was right, but only to some extent, as it can be seen more often that the two heads of the executive can cooperate when the situation requires them to do so, especially in the context of national security, with some major appointments, and during the events that should serve the purpose of national unity such as celebration of Victory and Homeland Thanksgiving Day in Knin and during the widespread panic after the Zagreb earthquake.

### **The Corruption Affairs and COVID-19 Crisis**

However, the two showed that they would not be reluctant to counter each other's opinion in matters such as domestic policy, the COVID-19

crisis, and some major affairs that recently took place in Croatia such as the one which included Croatian crude oil transportation company JANAF (*Jadranski naftovod*). The “JANAF affair” saw the former president of the JANAF management board, Dragan Kovačević, taking a bribe from entrepreneur Krešo Petek to meet the interest of Petek’s company. The investigation included the arrest of Kovačević, in addition to SDP and HDZ members, Vinko Grgić and Dražen Barišić, respectively. Perhaps the most difficulties between Plenković and Milanović arose from their opposing opinions on the role of the Civil Protection Directorate. When the COVID-19 emergency reached Croatia, the mentioned Directorate was established. Led by the Minister of Interior, Davor Božinović, the Minister of Health, Vili Beroš, the Director of ‘Fran Mihaljević’ Clinic for Infectious Disease, Alemka Markotić, and the Director of Croatian Institute for Public Health, Krunoslav Capak, the team was quite popular and the restrictive measures introduced by them proved to be effective. During the first wave of the health crisis, Croatia was among the European countries with the lowest number of infected people. The mortality numbers were also among the lowest in Europe.

### **The Summer Parliamentary Elections**

With the positive results being evident, the Government rushed to capitalize on the popularity of the Directorate and the role of Božinović and Beroš, by having the parliamentary elections in early summer, rather than autumn, as it was firstly predicted. The opposition parties and the President reacted swiftly to put some pressure on the Government, but the election race was eventually held on 5<sup>th</sup> July with HDZ becoming a clear victor by winning 63 out of 151 seats in the Parliament. The SDP-led Restart coalition lost heavily with only 41 seats. Faced with the accusations that he politicized the role of the Civil Protection Directorate, Andrej Plenković argued that the single-digit numbers of infected people and the positive epidemiological situation in general enabled everyone to organize and participate in the parliamentary elections. Yet, it was Milanović who insisted on putting a large question mark above the Directorate’s work, as

he claimed that the unelected, but appointed body, such as the Directorate, cannot make legislative decisions, rather it has to be the Croatian Parliament with its complete legality and legitimacy. In his argumentation, Milanović was soon joined by his former allies in SDP and other center-left parties, as well as the Bridge party (Most) and the Homeland Movement. After summer months and positive tourist season which of course did not reach its former heights, the second wave of the coronavirus proved to be much more dangerous in terms of mortality and infected people. On an inverse proportionality basis, as the numbers of deaths were going upwards, the popularity of the Directorate downgraded.

### **The Intra-Party Race in HDZ and SDP**

After the presidential race, it seemed as SDP was going to be a more serious contender in the parliamentary elections, as HDZ became a second option during the early spring months, before the COVID-19 situation. With Grabar Kitarović's loss against Milanović, it was the time to conduct an intra-party race in HDZ. Plenković's main opponent was the triumvirate Miro Kovač – Davor Ivo Stier – Ivan Penava, who labeled themselves as sovereigntists, an adjective used by almost all right-wing political option or politician in Croatia. Miro Kovač was supposed to be their candidate for the party's president and he would go on to accuse Plenković of shifting the party to the left and for not being a true Christian democrat. Eventually, Plenković won the race and HDZ regain the strength in a right moment, just before the parliamentary elections. Plenković's counterpart in SDP, Davor Bernardić, after a horrific result in July election was accused for being uncharismatic and immature leader with some SDP members underlined the problem of the party's identity which was no longer in line with social democracy. Bernardić stepped down and in only two months ahead, it was clear the presidency will be taken over by former Milanović ally, Peđa Grbin. In an intra-party runoff, Grbin won over Željko Kolar and became a new leader of the main opposition party.

## **Conclusion**

After an unsuccessful vote on non-confidence for Minister of Economy and Sustainable Development, Tomislav Ćorić, who was accused for several affairs, including the JANAF affair, it appears that the parliamentary opposition has its hands tied in their attempts to delegitimize the work of the Government and the Directorate. Contrary to former parliamentary session which was labeled as worst in Croatian history, this one has produced some new faces such as Tomislav Tomašević, a leader of green-left platform We Can! (Možemo!), and Nino Raspudić and Marija Selak Raspudić, both university professors and independent candidates joined with the Most party. Some of their discussions have already proved to be much more worthy than the ones heard in previous parliamentary session.



# Dynamics of the Czech Political Model in 2020

Ladislav Zemánek

*Summary: The development of the Czech domestic politics in 2020 was characterised by an alternation of periods of stability and volatility. A “normal” performance and mechanisms of the liberal democratic system, which is combined with the parliamentary republic in the Czech case, was disrupted by the outbreak and spreading of the novel coronavirus epidemic which was not expected at the beginning of the year whatsoever. In this briefing, I will present a general, synthesising insight into the development dynamics of the political system and its actors, starting from the present authoritarian tendencies in the mainstream, continuing with a political rise of non-elected actors, concluding with an outline of the future trajectory.*

Even though the power of the liberal democratic state had been quite weak over the last decade, the functioning as well as authorities of institutions and individual state bodies being limited within the framework of the checks and balances system together with a widespread awareness that the power of state and politicians has to be as weak as possible given the historical experience with totalitarian and authoritarian regimes in the 20th century, the extraordinary circumstances brought about by the unknown disease led to a substantial change in this regard, especially during the first, spring wave.

## **Authoritarian features within the liberal democracy**

Politicians of virtually all parties called upon the Government to introduce the state of emergency, thus suspending standard mechanisms and legal procedures as well as freedoms and rights of citizens. Face to face

with the crisis, the liberal democratic system and democratic political forces acceded to an authoritarian way of governance. Nevertheless, it was not to negate the liberal democracy, rule of law and parliamentary republic but to safeguard them in the future. One might recall a dichotomy of sovereign and commissarial dictatorship formulated by the German philosopher Carl Schmitt in the mid-war period.<sup>1</sup> Whereas the first is aimed to establish another form of government, the latter is introduced in order to preserve the status quo. Although there were some political and social (radical, extremist) forces which desired to weaken the political status quo, any of them made use of the critical moments of the crisis to attempt to take the lead or at least to destabilise the system. From this point of view, the Czech liberal democracy demonstrated its strength and vitality.

At the same time, however, authoritarian manners started to emerge in the political mainstream, which soon became a subject of criticism from both political opponents, civil society and citizens. It began to tell on different plans to control society, interfere in citizens' private lives, trace their contacts, restrict a wide array of activities not only leisure but also working, gainful ones. After the first wave ended up, a lively political and public debate stirred up as to the acceptability of political encroachment on the social or economic life. Actions of the state over the last months revealed that under certain conditions some groups of people might be deprived of their source of livelihood as a result of the closure of businesses or whole industries. Such strong interventionism, promoted by political etatists (predominantly from the left-wing parties or trade unions), was eventually rejected by the ruling coalition, the proof of which is the Government's stance towards a possible lockdown during the second wave in the autumn. The Government decided to re-introduce restrictions as well as the state of emergency but – unlike the springtime – avoided massive suspension of economic activities. Simultaneously, however, the political leadership put forward a plan regarding an establishment of the State Health Service which would be authorised to ban both public and private events, travelling, limit social contacts, public transport or businesses and

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<sup>1</sup> See Schmitt, C., *Die Diktatur*, Berlin 1921.

services. It was a part of attempts to centralise the system, making it more effective, but in that case, the Service would have more authority than the Government or Parliament. Nowadays, the Government needs the state of emergency for introducing the abovementioned measures, whereas the proposed State Health Service could adopt them anytime. This draft was a culmination of authoritarian tendencies emerging in the political mainstream in connection with this year's crisis.

### **Perhaps liberal but not democratic**

Another aspect thereof is the rising power of the non-elected officials and experts, lacking in democratic legitimacy. It is, nevertheless, a long-term tendency which was only deepened by the extraordinary state of affairs during the last months. The very core rests in the gradual weakening of the elected bodies, institutions and political representatives in favour of the non-elected experts or pressure groups. Partially, it is caused by discrediting of the post-socialist „political class“ (if using a term originally invented by the Italian political theorist Gaetano Mosca) during the 1990s and 2000s when the democratic politicians were considered corrupt, self-centered and opportunist by a great part of the Czech society. This perception created space for emerging of populist, catch-all movements without a clear ideological background (ANO movement or Pirate Party) on one hand and for increasing involvement of experts and NGOs in decision-making processes on the other.<sup>2</sup> Discredit of the „traditional political parties“ and the political as such (Schmittian concept)<sup>3</sup> has been accompanied by the rise of allegedly non-political actors and the so-called „non-political politics“, a term or label frequently used by the former President Václav Klaus criticising this trend, the origin and prototype of

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<sup>2</sup> It should be noted in this context that the ANO movement became a political hegemon during the last years, being supported by approximately 30 per cent of voters over a long period, while the Pirates has been gradually strengthening and according to some public opinion polls the party's support oscillates around 20 per cent nowadays. In December, the chairman declared that the Pirates

<sup>3</sup> See Schmitt, C., *Der Begriff des Politischen*, München 1932.

which was seen in the personality of his predecessor and the first Czech Republic's President Václav Havel.<sup>4</sup> The consultative function of the expert community is desirable beyond any doubts but its excessive preference to the elected politicians undermines democratic principle and legitimacy arising from elections. The role of experts has to be limited to providing consultancy but it is not possible to entrust them with the decisive power as the latter belongs to politicians within the democratic system.

The intentional weakening of the explicitly political actors and preference to those without political affiliation and experience is one of the attributes of the ANO movement and its leader Andrej Babiš. It manifested itself in choice of the candidates for ministerial posts and in the actions taken during the present crisis the most conspicuously. The head of the executive, the Prime Minister Babiš repeatedly stated that the anti-crisis policies and restrictive measures were formulated by experts (epidemiologists, hygienists) or public health officers, emphasising that the Government only obeyed and followed what those actors decided. In fact, the supreme political leadership resigned from its responsibility, yielding the real power to the non-elected and to a considerable extent random groups, thus weakening and even undermining the roots of the present democratic and representative model. In addition, the Government hereby surrendered a complex attitude as it is apparent that the epidemiologists' perspective is but partial, whereas the politicians with the Government and President on the top are to act taking into account all facts, interests and perspectives possible, reshaping them into a higher synthesis. This essential political task was neglected face to face with the precipitous development of this year.

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<sup>4</sup> Proponents of the „non-political politics“ disguise the fact that any actions in the sphere of politics are political. The vision of overcoming politics is utopian and incompatible with democracy. The threat of de-politicisation was criticised already by Schmitt in the early 1920s. See Schmitt, C., *Politische Theologie. Vier Kapitel zur Lehre von der Souveränität*, Berlin 1922.

## **Conclusion**

To sum up this reasoning, in 2020 the Czech liberal democratic constitutional system endured the crisis, being endangered neither by radical or extremist forces (which proved to be very weak and under state bodies' control) nor economic slump. At the same time, some mainstream tendencies which might potentially lead to a qualitative transformation of the current model were deepening. First, tendencies towards massive control over the citizens through electronic and digital technologies, breaching privacy and restricting the individuals' freedoms. This shift is illiberal in its essence, being connected with the strengthening of the state power and restraints of civil rights. However, it need not be inconsistent with democracy as there are manifold forms of democracy. Second, tendencies residing in a transfer of the real power from democratically elected representatives towards other, non-political formally but political essentially, actors. Such a phenomenon is not illiberal necessarily, rather on the contrary given the fact that liberalism and democracy are separate things, the historical experience proving that there can be a liberal model without democracy. In any case, this transformation is undemocratic. The shifts and tendencies analysed above show the inner plurality and heterogeneous character of the Czech society and its political model. Yet, the 2020 year brought changes which may result in weakening of such a plurality.

## 2020 for Estonia: A year to forget, the year to remember

### E-MAP Foundation MTÜ

When it is all over, the outgoing year will be associated in history with quite a number of very different as well as conceptually metaphoric adjectives – hectic, unpredictable, changing, unforgettable, deadly, incredible, stressful, and, most definitely, eye-opening. For the **European continent** and its most integrated geo-strategic segment, the EU, this pandemic-raged year was all about reflections, which had apparently led the entity towards declaring something extraordinarily important. In September 2020, Thierry Breton, the European Commissioner for Internal Market, issued a notable brief on what the EU should taking away from its own experience of managing the crisis:

Nobody knows what the world will look like tomorrow, but one thing is clear: no European country can hope to influence the new world order on its own. We must project ourselves on the scale of a continent. And faced with the risk of becoming a battleground for world tensions, Europe cannot stand idly by. The era of a conciliatory or naïve Europe that solely relies on the virtue of its soft power is behind us. We are now seeing the dawn of a Europe that is determined to defend its strategic interests.<sup>5</sup>

Most certainly, such an obvious change of the EU's strategic identity narrative was welcomed by different pro-European forces within the continent, but, arguably, it was also noticed with caution in different

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<sup>5</sup> Thierry Breton, 'Europe: The End of 'Naïvety'' in *The European Commission*, 10 September 2020. Available from [[https://ec.europa.eu/commission/commissioners/2019-2024/breton/announcements/europe-end-naivety\\_en](https://ec.europa.eu/commission/commissioners/2019-2024/breton/announcements/europe-end-naivety_en)].

capitals internationally. Wherever ‘more Europe’ is genuinely needed, a stronger EU will be more appreciated. However, where the EU is seen as a competitor, then the entity’s stronger geo-strategic *silhouette* is unlikely to be valued with joy. On the EU-wide level, the outgoing year’s *finale* has been featured by **1)** a game of waiting in regards of the upcoming Biden administration’s stance on the US-EU relationships, **2)** the increasingly antagonistic interrelations with the Russian Federation, for many reasons; **3)** a sense of uncertainty on how to frame the post-2020 interactions with China and how to ‘accommodate’ the concept of the Chinese Belt and Road Initiative (and its integral projects like the 17+1, for example) into a yet-to-be-developed framework of prospectively strategic cooperation between the two sides; and **4)** the Brexit-associated negotiations on trade. In terms of plain domestic politics, how do these major discussions extrapolate on the Estonian political environment?

Evidently, in Estonia, the country-wide diapason for political debates was distinctly local and even, to a visible extent, brutally peripheral, only indirectly touching the grand-themes of the global turbulence. In such a context, it is worth quoting Rainer Kattel that “[t]he idea of Estonia is a vision of what Estonia is, what it is about and what it could become”, because “[i]t is the peculiarity of small cultures that it is often difficult to maintain several viable ideas at once in them”<sup>6</sup>. Moreover, even during the pandemic, the internal non-compatibility of the current governmental coalition kept the country on high alert at any given moment of the year. In 2020, the second cabinet of Jüri Ratas lost four Ministers who had to resign for different political and non-political reasons (keeping in mind some votes of confidence arranged by the opposition in the *Riigikogu*). Tõnis Saarts, while “[l]ooking back at the year in politics and public debates” argued that there were “two topics [that] have stolen the limelight: the coronavirus and the marriage referendum”, when [t]he latter [was] either directly or indirectly tied into discussions over rights of minorities (whether

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<sup>6</sup> Rainer Kattel, ‘Estonia as an idea and ideology’ in *ERR*, 21 December 2020. Available from [<https://news.err.ee/1215376/rainer-kattel-estonia-as-an-idea-and-ideology>].

‘the gays should run to/in Sweden’) and immigration (foreign labo[u]r and the lost strawberry harvest)”<sup>7</sup>.

Having been extensively discussed in a number of previous briefings, the proposed bill on the so-called ‘marriage referendum’, which was a part of the coalitional agreement back in 2019, made the opposition thinking of issuing “thousands of motions to amend to see the bill get stuck in the Constitutional Committee”<sup>8</sup>. At the same time, Prime Minister Jüri Ratas expressed his determination that his political party – the *Centre Party* – “definitely wants to observe the coalition agreement”<sup>9</sup>. Leaving the distinctly populist bill aside, the Government’s political response to the pandemic is really something that is of interest for the society as well as analysts. The second – or whatever the number it is already – wave of the crisis coincided with the Christmas-bound festive period that is also associated with final exams for many university students. The parliamentary opposition – for example, from the side of the ‘social democrats’ – have already stated that “[t]he government has been hopelessly late with necessary, preventative precision restrictions” and that “[t]hese should have been applied already in October”<sup>10</sup>. However, during his traditional ‘end-of-the-year’ interview, Prime Minister Ratas metaphorically argued that “we need to separate the glass half empty from the glass half full here”<sup>11</sup>. He continued outlining some important figures:

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<sup>7</sup> Tõnis Saarts, ‘Year without substantial debates’ in *ERR*, 20 December 2020. Available from [https://news.err.ee/1214224/tonis-saarts-year-without-substantial-debates].

<sup>8</sup> Anna Põld and Henry-Laur Allik, ‘Referendum on its way to be shelved’ in *Postimees*, 15 December 2020. Available from [https://news.postimees.ee/7133636/referendum-on-its-way-to-be-shelved].

<sup>9</sup> Jüri Ratas as cited in Põld and Allik.

<sup>10</sup> Jevgeni Ossinovski as cited in ‘SDE MP: New Estonian restrictions come two weeks late’, *ERR*, 12 December 2020. Available from [https://news.err.ee/1202509/sde-mp-new-estonian-restrictions-come-two-weeks-late].

<sup>11</sup> Jüri Ratas as cited in Nele Kullerkupp, ‘Jüri Ratas: I’m the prime minister and I dance to the republic’s tune’, *Postimees*, 21 December 2020. Available from [https://news.postimees.ee/7138492/juri-ratas-i-m-the-prime-minister-and-i-dance-to-the-republic-s-tune].



We have considerable recession, similarly to the EU and the entire world. The latest data puts Estonia's recession for the first three quarters of the year at 3.2 percent, which is only half of the EU average. This suggests our entrepreneurs have done well. [...] However, we also learned that the Estonian medical system must be even better prepared and needs additional investments.<sup>12</sup>

On the pure *intra*-political segment of the debate, the current governmental coalition's objective instability brought plenty of questions to the Prime Minister as well as on the Prime Minister's capabilities as a manager during 2020. As a *Postimees* journalist put it in a summary – “Critics have accused [*Pro Patria*] and mostly [...] Center Party of dancing to the Conservative People's Party's (*EKRE*) tune in the government”<sup>13</sup>. Credits to Jüri Ratas, he was not hiding away from answering such a harsh societal enquiry, offering the following response:

The opposition is always out to claim that the prime minister is not up to the task and that really someone else is running the government – it has been the case in the past and I'm sure will be in the future. Whose tune is Jüri Ratas dancing to? The instrument is called the Republic of Estonia and dancing to that tune takes a lot of effort in terms of finding solutions for bringing the country and people out of the crisis in the best possible way. All coalition parties are different. [...] There are certain ideological differences, differences in terms of values, but that is how it needs to be in a coalition. Is it an easy coalition? No, it is not. [...] A coalition means searching for political compromises while being able to take responsibility for Estonia and realise your goals through said compromises.<sup>14</sup>

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<sup>12</sup> Ratas in Kullerkupp.

<sup>13</sup> Kullerkupp.

<sup>14</sup> Ratas in Kullerkupp.

While the Prime Minister was visualising himself as ‘dancing’ to the country’s tune, there is somebody who was by law doing it as well, but also – indirectly – leading a *quasi*-opposition to the Government during the whole year. This personality in Kersti Kaljulaid, the President of Estonia. In 2020, she was instrumental in delivering both spoken and unspoken political messages in a number of situations when, from her point of view, the true constitutional values of Estonia, as a stable liberal democracy, were endangered. Talking on a possibility of establishing productive cooperation with the Government, President Kaljulaid noted:

It has occurred to me that such efforts have not been easy in the past few years. And this definitely impacts my ability to contribute to life in Estonia. From there, you start to think why it has become impossible today and the reason is that I have fulfilled my professional role – defended the Estonian Constitution. And you cannot cooperate beyond those boundaries. [...] And I feel that this kind of hands-on approach we used to have has grown much more seldom now, even though it is not really in the president's job description. The reason is that it would only be possible to continue that cooperation today by abandoning value-based policy. And that is not something I am willing to do.<sup>15</sup>

In 2021, Kersti Kaljulaid is up for the OECD’s top job, and the next presidential campaign will be on in Estonia as well. Objectively, she has some prospects to remain politically relevant. As for the governmental coalition, its ability to survive will be tested in January-February. In the meantime, on 24 December, at noon, the Mayor of Tallinn Mihhail Kõlvart proclaimed Christmas peace by reading a historic Christmas peace message from the Town Hall window in Tallinn. This has been an ancient tradition,

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<sup>15</sup> Kersti Kaljulaid as cited in Priit Kuusk, ‘President: Estonians’ will to cooperate highlight of the outgoing year’, *ERR*, 23 December 2020. Available from [<https://news.err.ee/1217284/president-estonians-will-to-cooperate-highlight-of-the-outgoing-year>].

which began during the ruling time of Queen Kristiina of Sweden (1632-1654)<sup>16</sup>. Social peace? What a great idea! Let it be.



**Source:** Ken Mürk/ERR (Mayor of Tallinn Mihhail Kõlvart proclaimed Christmas peace at noon on 24 December 2020).

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<sup>16</sup> ‘Gallery: Mayor of Tallinn declares Christmas peace’ in *ERR*, 24 December 2020. Available from [<https://news.err.ee/1219141/gallery-mayor-of-tallinn-declares-christmas-peace>].

## **Greek Politics in 2020**

**George N. Tzogopoulos**

*Summary: In order to assess the political performance of the governing New Democracy in 2020, two different phases have to be examined. The first covers the period from January until September and the second the one from October until December. New Democracy managed to curtail COVID-19 in its first wave but failed to do so in the 2020 autumn and winter. This essay analyzes the relevant policies of the Greek government in 2020 and argues that its political dominance has been the product of SYRIZA's weaknesses rather than of its own competences. Also, New Democracy's political damage, which has already started, will be possibly more evident at a later change as long as citizens will further experience the economic pain of COVID-19 and their tolerance will reach some limits.*

The year of 2020 was characterized by the political dominance of the governing New Democracy party. Following its victory in the 2019 national election, New Democracy preserved a clear lead in all opinion polls. The main reason should not be necessarily associated with its performance but with the continuous disillusionment of several Greek citizens – especially the ones who could identify themselves as belonging to the center of the political spectrum – with the record of the main opposition SYRIZA party. SYRIZA lost the national election of July 2019 because it had failed to address the economic concerns of the middle class and due to serious maladministration mistakes that led to tragedies such as the July 2018 Mati wildfires. The stance of the party while in the opposition since its electoral defeat has been rather unimpressive in spite of

tremendous challenges. SYRIZA has arguably proceeded to necessary internal changes in order to regain the trust of Greek citizens.

The beginning of 2020 was seen by New Democracy and Prime Minister Kyriakos Mitsotakis as an opportunity to carry out pending privatizations, strengthen extroversion and attract investments, especially in the green energy sector. The February 2020 Troika review of the national economy warned about a slowing growth rhythm in comparison to the first months of 2019 but the Greek government was enjoying a grace period. Obviously, its political stability – with 158 MPs under a strong Prime Minister – could not be questioned. In July 2019, the majority of Greek citizens had voted to signal their support for a political change. Although it was debatable whether Mitsotakis would succeed in bringing this political change, he was possessing a clear mandate in striving to do so.

The outbreak of the COVID-19 pandemic in March did not caught the Greek government by surprise. At the beginning of March 2020, Mitsotakis travelled to Berlin to attend a green energy conference in line with his environmental agenda. Upon his return he almost immediately decided to impose a national lockdown. The Greek government also offered allowances to citizens who would be affected by the lockdown. The management of the first wave of the pandemic bore fruits and was appreciated by the majority of Greek citizens. Although Greece was not encountered with the same challenges as other big European countries, its success in containing the first wave of the pandemic cannot be underestimated. Several international media praised Greece for this success and drew comparisons with other states.

From May 2020 onwards, the Greek government benefited by the good epidemiologic situation and embarked on an attempt to reopen the national economy. Speaking on the island of Santorini in June, Mitsotakis went further and presented Greece as a safe country which could offer COVID-19 free holidays to international visitors. The country opened its borders indeed. This opening was a significant boost to the sector of tourism. But the level of preparedness in offering nucleic acid tests in entrance points or connecting the arrival of international visitors with the

result of previously organized nucleic acid tests in their countries was rather poor. As a result Greece readjusted its policies during the summer and occasionally imposed travel bans or considered negative forms of nucleic acid tests a prerequisite for some tourists to enter the country.

The reopening of Greece's national economy – despite the problematic prevention capacity – gave undoubtedly the possibility to businesses as well as small and medium enterprises to economically breathe. Following the end of the summer period, the Greek government took some precautionary measures to prevent the second wave of COVID-19 but refrained from imposing a second lockdown and employing a strict approach. Mitsotakis pledged to avoid the repetition of the policy of March and April in his interest in preventing a double-digit recession throughout the year. In this manner, the Greek government lacked the determination it had exhibited in the period the virus was first detected in Europe. In contrary to the first wave of the pandemic, the performance of the Greek government during the second one was poor. COVID-19 cases dramatically rose in Greece in October 2020. Mitsotakis was thus forced to reverse his initial decision and imposed a new national lockdown.

In November and December 2020, Greece, especially the northern part of the country, witnessed several deaths. Intensive care units in hospitals almost reached their capacity and governmental policies lacked the clarity and consistency of March and April. The national lockdown seriously impacted on most Greek citizens who were suffering continuously by the economic pain caused by the pandemic and the necessity to change their way of living. Against this backdrop, the second lockdown differed from the first. While the first led to an almost complete shutdown of economic activities, the second was more flexible. In November and December, several citizens could justify their movements while retail stores occasionally reopened by applying the click-away technique. The Greek government has managed to reduce the speed of COVID-19 transmission but has failed to create a virus-free environment that could allow the complete reopening of the national economy.

New Democracy had to respond to additional challenges in 2020, including to the eruption of Greek-Turkish tensions in the Eastern Mediterranean. But the management of the pandemic – both at the public health and the economic levels – was a particularly delicate task. From a political point of view, the governing New Democracy has been traumatized by its failure to contain the second wave. This does not mean that the party faced a legitimacy crisis. But the consequences of this failure will be possibly apparent in 2021. In a political system where two main parties prevail, centrist voters tend to switch from the one to the other. This swift is the result of political fatigue and frustration. The leader of SYRIZA, Alexis Tsipras, for example, appeared more capable in dealing with Greece's problems in the first period following Kyriakos Mitsotakis' victory in New Democracy's leadership contest. These dynamics started to change over time, however.

New Democracy's political dominance, especially in the first half of 2020, fueled speculation about the potential organization of a snap election. Although the party possesses a four-year mandate, a snap election might give it the chance to take SYRIZA by surprise and politically capitalize by the latter's damage. The victory of the New Democracy in a snap election could subsequently trigger a second one in order for Greece to leave the proportional electoral law behind and be governed by the new one that had been voted at the beginning of 2020. The scenario of a first snap election (to possibly take place in September) was scrapped due to the continuation of the pandemic after the summer period and the risk it might cause to New Democracy's political preeminence. While Mitsotakis' political motivation behind the organization of an early election could have been clear, centrist citizens might have been skeptical in accepting its necessity almost one year after New Democracy electoral victory.

## **Conclusion**

The year of 2020 was particularly challenging for the governing New Democracy party. The management of the COVID-19 pandemic became

its top priority from March onwards. However, the initial success of New Democracy was followed by a relaxing set of policies in reopening the national economy and responding to the danger of a second wave. As a result, Greece started to seriously suffer by the pandemic after the summer period. New Democracy did not politically suffer throughout the year. SYRIZA's political troubles – after its defeat in the national election of July 2019 – were not healed in 2020. But the political traumatization of New Democracy due to its inability to combine the management of the first wave of the pandemic with the second one, is yet to be assessed in 2021.



# Covid-19 as the great divider in 2020 Hungarian Politics

Csaba Moldicz

*Summary: The December briefings of the China- CEE Institute usually give an overview of the respective year. This analysis summarizes the political events of the year 2020. The ancient Greek word "crisis" means a "turning point in a disease". The term refers to the moment when the patient could either get better or worse. In other words, despite the widely typical connotation of the world, the outcome of a crisis is not necessarily negative, it can be the point at which things take a turn for the better. For the same reason we can argue that the political and economic crisis caused by Covid-19 gives the Hungarian parties the opportunity to benefit from this unexpected situation. It should therefore come as no surprise that during the year the political parties made every effort to change things for the better and to interpret the events in their own favor. The briefing first looks at the main changes in political sympathies over the year, then collects the main themes for 2020.*

## 1. Survey data

Looking at the January and November figures of party sympathies in Hungary, one might have the (misleading) impression that only slight changes took place in the Hungarian politics, but the seemingly unaltered or just slightly worse position of the governing party has undergone significant changes over the course of 2020. The Fidesz-KDNP has politically benefited from the crisis management of the first wave of the Covid-19 virus, according to the figures of Závecz Research, and the party's support improved and was 51 percent among eligible voters and 36 percent among likely voters in August. After this peak of support, the figures started decreasing, which relates to the more severe than anticipated

impact of the second wave of the pandemic. As an outcome at the end of the year, the support of the Fidesz-KDNP dropped by 5 percentage points among likely voters while the support among eligible voters grew by 2 percentage points.

At the same time, the opposition camp was slowly but clearly reshaped over the course of the recent months. Both Momentum and the DK could increase the number of their supporters, large advances were made by the DK in whose case the support rose by 3 percentage points among likely voters and 5 percentage points among eligible voters. The increase was only 1 and 1 percentage point in the case of the Momentum. Other opposition parties could keep their sympathy ratios among likely and eligible voters.

The long-term change that took place in Hungarian politics over the course of 2020 was that opposition parties reached a final agreement on the election cooperation. According to this deal, there will only be a single opposition candidate running for one seat in the Parliamentary Elections in 2022. The obvious goal is not waste 'votes' in the fight against each other but concentrate on the competition against the governing party's candidates.

Taking into account this agreement of the opposition parties, the Fidesz-KDNP's position is more threatened than ever. A survey which raised the question of whom would the pollees support if choosing between the allied opposition parties and the governing party was conducted by Závecz Research. In August, the Fidesz-KDNP was ahead of the opposition camp by 2 percentage points, but the situation reversed as the opposition camp surpassed the governing party by 3 percentage points in November 2020.

The evaluation of this situation and any kind of forecast is made more complicate by the fact that the Coronavirus-19 pandemic is most likely coming to an end and opinions can swiftly change. The economic impact is here with us, and will stay for months to come, however if the economic

indicators show improvement, it would be easier for the governing party to convey their messages and address the public with certain topics.

| Table 1.<br>Changes in political support of Hungarian political parties (January and November October 2020) |             |    |          |        |      |     |      |                |             |                     |
|---|-------------|----|----------|--------|------|-----|------|----------------|-------------|---------------------|
|   | Fidesz-KDNP | DK | Momentum | Jobbik | MSZP | LMP | TDP* | Our Homeland** | Dialogue*** | Other/Does not know |
| Eligible voters in January  | 29          | 6  | 6        | 6      | 5    | 2   | 2    | 2              | 1           | 37                  |
| Eligible voters in November   | 31          | 11 | 7        | 7      | 5    | 2   | 1    | 1              | 1           | 32                  |
| Likely voters in January  | 52          | 14 | 10       | 9      | 7    | 3   | 1    | 2              | 1           | 1                   |
| Likely voters in November   | 47          | 17 | 11       | 10     | 7    | 2   | 2    | 2              | 2           | 0                   |
| Source: Závecz Research. * The Two-Tailed Dog Party; ** Mi Hazánk; *** Párbeszéd                            |             |    |          |        |      |     |      |                |             |                     |

## 2. The main political topics of 2020

The year 2020 began with an assessment of the potential impact of the 2019 local elections, which focused on how Hungarian political parties should change their strategies and communication in response to the events of 2019. The most important lesson was whether the opposition parties will have a chance to beat the Fidesz-KDNP in the next parliamentary elections and the creation of a common platform for announcing and managing the opposition candidates. The emphasis is on the election, much less what would happen if they won. However, the evaluation process was

overshadowed by the outbreak of the global pandemic and its spread in Hungary.

Hungary declared a state of emergency on 11 March 2020 in order to quickly take the necessary decisions that would otherwise have required more time and discussions in parliament. The Human Rights Watchdog (Amnesty International, Helsinki Committee) strongly criticized the draft law, which granted the Hungarian government special right without a given time limit. In addition, the draft law bill was also banded by European politicians and served as a focus of criticism of the Hungarian government. When restrictions on public life and the economic sector were later lifted in certain sectors, the debate quickly subsided.

In recent years it has become clear that the Hungarian political landscape (its issues and tendencies) should be interpreted with an extension to foreign policy issues, especially EU issues, otherwise the dynamics cannot be understood. The governing party defines itself in the context of sovereignty and debates with the party of European Commission, European Parliament and European People. The most intense debate was the one about Fidesz' membership in the party of European People. The party's membership was suspended in February 2020 and the vote on these issues was postponed in October 2020. The issues have not been resolved and it seems as if they could only be solved alongside a package of unresolved problems Fidesz has with the EU. Another related debate revolves around the EU budget and the EU economic recovery plan, which was rejected this month by both Hungary and Poland. The opposing member states refuse to link the budget and the economic recovery plan to an EU regulation that establishes the enforcement of the rule of law in the member states as a prerequisite for the use of funds from the budget and the economic recovery plan. The direct link between these seemingly foreign policy issues and domestic policy is the eagerness of the parties to respond to various elements of these debates and to define themselves along these debates. The Fidesz-KDNP argues that the real reason why Hungary and Poland are being urged to accept the "rule of law" conditions is to break the opposition of these countries on the issue of immigration.

According to the Hungarian Prime Minister it is proposed that the European Commission should allow 34 million immigrants to settle in the EU and provide financial assistance and citizenship. Apart from this issue, the Hungarian government is focusing on measures against the negative effects of the coronavirus. In late summer and early autumn, the government launched a nationwide consultation, which raised questions about the adequacy of Covid-19 measures and possible future actions. In these cases, the Hungarian government is clearly trying to lead and shape public discourse, but there are also cases where it has to deal with issues and events that were not initiated by the government. The most important of these cases was the Szájer scandal, which broke out at the end of November. The politician – member of the European Parliament, and one of the founders of Fidesz – took part in an illegal sex party last week. It is obvious that it is difficult for a party that puts the value of family and tradition above everything to react to this kind of scandal. At this point, we cannot see whether the scandal will significantly impact the support of the governing party or it can remain unscathed.

### **3. Summary**

As we can see, the Covid-19 pandemic has been a real game changer in Hungarian politics, the opportunity given by the disease was used by two opposition parties in term of gains of support, while the governing party has been more successful in the first half of the year than in the second year. As we understand it, if recent tendencies continue in domestic politics, a further concentration of political power in the opposition camp is to be expected in the months to come, while the most likely end of the pandemic will also give new opportunities for the Fidesz-KDNP to redefine its messages, and prepare for the growing tensions in EU relations.

# **Latvian major political events in 2020: Covid-19, extraordinary elections and regional reform**

**Nina Linde**

## **Introduction**

The main focus of Latvian internal politics in 2020 was put on the mitigation of the consequences of the Covid-19 crisis. Emergency measures were amended, strengthened or supplemented all the time, which required constant work of Parliament and Government. The “Law on the Management of the Spread of Covid-19 Infection” has been adopted by Latvian Cabinet of Ministers during 2020 to establish a general legal order after the end of the emergency by providing appropriate precautionary measures. The rapid decision-making process and consultations of politicians with healthcare experts led to the fact that during the first wave of coronavirus Latvia has been relatively successful in terms of dealing with Covid-19 crisis. Nevertheless, the mitigation of the consequences of the second wave of Covid-19 requires more political will and teamwork from the current government. "This crisis is possibly the biggest crisis we have faced since the restoration of independence... I am confident that with government and society working together we will overcome this virus," Prime Minister of Latvia, Krišjānis Kariņš concluded. Along this, several important political events like extraordinary elections to the Riga City Council and administrative-territorial reform made their way to the political agenda of 2020.

## **Parliament and Cabinet of Ministers has been working on Covid-19 mitigation measures and implementation of emergency situation**

Latvian parliament and government of Latvia worked on mitigating the consequences of the Covid-19 crisis and has developed certain restrictions since Latvia faced the first wave of coronavirus outbreak in

March: leading to declared state of emergency until June 10. For more than three months the citizens of Latvia have been living under the emergency situation. Undoubtedly the economic impact on the daily lives of the Latvian citizens has been massive as the unemployment levels have been increasing. However, the precaution activities taken has proved them to be successful as the number of active cases of Coronavirus have been decreasing. Although the limitations proposed in March were relatively small in comparison to other European countries, Latvia was able to sustain one of the lowest death rates per 100 000 citizens in the European countries during the first wave.

In May, the Cabinet of Ministers approved the “Law on the Management of the Spread of Covid-19 Infection” jointly developed by the Ministry of Justice and other responsible institutions, which aims to establish a general legal order after the end of the emergency by providing appropriate precautionary measures. The responsible authorities have compiled and consolidated the necessary aspects in one law, which will help to comply with epidemiological safety measures and prevent the spread of Covid-19, as well as provide the public administration and citizens with clear rules during Covid-19. The law determines the basic principles of the activities of state institutions, including the provision of services by courts and local governments after the end of an emergency situation. Appropriate precautions and restrictions for individuals, including special conditions for the provision of educational, sports, social and health services during the Covid-19 deployment period.

The summer has brought lifting of different restrictions and return to active daily life of citizens. However, despite of the success of political decisions (regarding health system and the provided support tools) during the first emergency situation, the second half of the year brought new political challenges. The second wave of coronavirus has come in October, when the number of Covid-19 cases and the number of hospitalized patients were rapidly increasing. It has led to the state of emergency being declared for the second time in 2020. Prime Minister and his team repeatedly referred to recent consultations with the World Health Organization,

stressing that in their opinion the use of facemasks, physical and social distancing and even more widespread mass-testing are essential components of a counter-COVID strategy. One of the government's plans of 2020 to cut COVID-19 is to increase testing capacity, reaching 10,000 tests a day. According to Latvian officials, restrictions have to be tightened at national level, as well as requires control. “Restrictions without control unfortunately do not hit the target”, the Health Minister Ilze Viņķele said.<sup>17</sup> In the end of 2020, politicians are seeking for more effective measures how to stop the spread of the infection while Latvia is facing an urgent need to improve the welfare of Latvian citizens during these challenging times. The opportunity approved by the European Commission to restructure and reorganize the European Union funding to fields which currently need the most support has a great influence since Latvia will be able to save the State budget funds.

### **Extraordinary Elections to the Riga City Council took place after Riga Council dismissal**

The one of the central political events of 2020 has definitely been the extraordinary elections of the Riga City Council. Those elections were scheduled after the Riga City Council dissolution law passed by the Parliament on 13 February. The Parliament legally dismissed Riga City Council because of its inability to make decisions, following three successive council meetings at which a quorum was not obtained. As well as for the justification for the dismissal of the City Council, it is mentioned that the Riga Municipality has not fulfilled the autonomous functions of a municipality established in the Waste Management Law.

Due to pandemic, the extraordinary elections of Riga City Council were rescheduled and took place in Riga in August. This year was the lowest voter turnout in the municipal elections in Riga since 1997. Covid-19 may be one of the reasons why the activity was so low, however, there

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<sup>17</sup> <https://eng.lsm.lv/article/society/health/health-minister-says-emergency-will-be-at-least-two-weeks-longer.a383522/>



definitely are other aspects that parties should analyze regarding the voting activity in the elections.

The outcome of the elections is a completely new coalition formed in the Latvian capital city after a decade-long rule of the left-wing Harmony and their coalition partner “Honor to Serve Riga” (GKR). The leading Latvian Russian-speakers party which has run the city since 2009, lost its top position to the alliance of the social liberal “Development/For!” party and social-democrat environmentalists, the “Progressives”<sup>18</sup>. As a result, the new Riga mayor was elected – Martins Stakis, the leader of the winning list “Development / For!” – “Progressive” party.

According to experts, these elections provide a hope that in the coming years Riga, and Latvia in general, will move away from ethnic division in politics, rallying voters around ideas — instead of ethnic identities.<sup>19</sup>

### **Parliament finally approves major administrative-territorial reform**

At a virtual sitting on June 10, 2020, the Latvian parliament approved the government's major overhaul of local government and the regional map of Latvia in a third and final reading<sup>20</sup>. Important note that legislation had not been put on hold despite the COVID-19 crisis thanks to the Parliament’s rapid introduction of virtual debate and online voting. 58 deputies voted in favor of the law on administrative territorial reform, 12 were against and 20 deputies abstained. According to the new reform, in the future Latvia will be decreased the number of administrative territories till 42 instead of the current 119, they will be divided into so-called 7 "state cities" and 35 local governments. The status of a state city has been determined for 10 cities Daugavpils, Jelgava, Jēkabpils, Jūrmala, Liepāja,

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<sup>18</sup> [http://www.xinhuanet.com/english/2020-08/30/c\\_139329599.htm](http://www.xinhuanet.com/english/2020-08/30/c_139329599.htm)

<sup>19</sup> <https://www.fpri.org/article/2020/09/riga-a-new-beginning/>

<sup>20</sup> <https://www.saeima.lv/en/news/saeima-news/29027-saeima-adopts-administrative-territorial-reform>

Ogre, Rēzekne, Rīga, Valmiera and Ventspils. Five administrative regions of Kurzeme, Zemgale, Rīga, Vidzeme and Latgale are being established for the implementation of joint state and local government functions.

“The administrative-territorial reform can be compared to a long-running ultramarathon. In total, the Commission has processed more than 800 proposals during more than 120 working hours,” said Artūrs Toms Plešs, Chairman of the Administrative Territorial Reform Commission. Regional reform was made one of the flagship policies of the current government, however, it is whether or not the reforms really do bring improvements that will likely determine future of the government.<sup>21</sup>

### **Summary**

Covid-19 crisis dominated political agenda in Latvia in 2020. A lot of political efforts were spent to come to the consensus about necessary restrictions and state of emergency, as a result declared twice during 2020. The output of political debates is the “Law on the Management of the Spread of Covid-19 Infection”. Given the changing and unpredictable nature of the spread of Covid-19, the law provides for the possibility for the Cabinet of Ministers to decide on practical implementation measures to control Covid-19 in case of spread or threat of Covid-19 infection in order to respond in time to changes in the country and abroad.

This year in political life of Latvia was marked by the extraordinary elections of the Riga City Council which took place in the capital city, after the Parliament legally dismissed previous City Council because of its inability to make decisions. Also, year 2020 brought the solution to long debates on upcoming regional reform, and the Law on Administrative Territories and Populated Areas has been adopted in the final reading by the Parliament of Latvia.

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<sup>21</sup> <https://eng.lsm.lv/article/politics/saeima/saeima-finally-approves-major-regional-reforms.a363362/>

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## **Lithuania's political changes take place under the women leadership**

**Linus Eriksonas**

The year 2020 in Lithuanian politics have been truly transformational. Few facts tell better about the changes that happened than the political and the socio-demographic characteristics of the government members. The government that had been in power till the mid-December consisted of the Cabinet members who held no clearly expressed political views. The governing majority even prided themselves on being the government of the professionals who are above or beyond day-to-day politics. The government was led by the former minister of interior who had served in the police force for most of his professional life, and he looked at the governance as the top-down command and control exercise. Apart from one, all the ministers in the former government were male, middle-aged (the median age of the cohort at the time of the elections was 45 years).

In contrast, a female political leader (who had served as the minister of finance) leads the new government, consisting of seven female ministers and eight male ones. It is the most gender-balanced Cabinet in the Central and Eastern countries of the European Union. More so, it is also among the youngest one. The government members' median age is 38 years, the youngest minister being 31 years old and the oldest – 50 years. However, more significantly, except two, all ministers have clearly articulated political views yet lack previous public governance experience, including two leaders of three parties forming the centre-right ruling coalition. The coalition prides itself being the gender-balanced government of the like-minded politicians.

Below is a consideration about the political changes that took place in the country over the outgoing year. It looks the drivers and the conditions

that made the change possible and discusses some of the implications on Lithuania's political processes, especially, in response to the global tendencies in Europe such as populism and the calls for direct democracy.

The political changes in 2020 took place under a great deal of uncertainty. There was uncertainty as concerning the outcome of the parliamentary elections which took place in October. The commentators did not predict that the then governing party would be defeated and completely removed from power. The year's start generated doubts whether the main opposition parties on the centre-right (the Conservatives and the Liberal Movement) would achieve a sufficient number of seats to enable a stable majority rule. The dominant perception was that the dominant Lithuanian Farmers and Greens Union would lose some of the seats, but the opposition would have to scabble additional support from across the political spectrum to take power.

The opposite became the truth after the elections; the new centre-right government was formed with a slim yet comfortable majority, supported by few non-aligned parliamentarians, and thus did not have to compromise ideologically, when putting the government programme together. The government politically can be characterised as neoliberal, placing increased attention on efficiency and trust issues that are the essential for introducing more market-type mechanisms in public governance. According to this view, the state should act as an active market-maker rather than a regulator in defining the remit for economic actors.

Another uncertainty was related to the risk of the political scene's fragmentation due to the increased number of the populist groups participating in the elections. At least half of 17 political parties that participated in the elections could be regarded as populist, trying to exploit the weaknesses of the liberal democracy to attract voters whose interests have been unrepresented.

The populist parties (which altogether received 10 per cent of votes in the multi-member constituency) fragmented the protest voice and failed

to enter the parliament. The main six political parties gained seats allowing them to form the parliamentary factions in Seimas, of which three (Conservatives and two liberal parties) represent the centre-right, two (Social democrats and labour) – the centre-left and one (the Farmers and the Greens) – a politically undefined party involving elements from both flanks of the political spectrum. The political system has not fragmented but even strengthened and consolidated as a result of the elections.

Two significant drivers have contributed to the demise of the former governing majority, which pursued the politics of creating a top-down administration run by a new class of non-partisan professionals. One driver is related to the governing party's failure to respond to the emerging middle class's needs prioritising the liberal values as the essential freedoms of everyday life in a consumer society. The concept of choice, being the critical aspect of the liberal democracies, has been compromised. The former government introduced many restrictions aiming to change society's social behaviours, including, for example, the ban on the retail of alcohol during certain after-work hours of the week or the ban on smoking on balconies in apartment buildings. The pandemic only reinforced this perception that the government narrowed the choices for individuals in their private lives.

The second aspect which played to the detriment of the former government was the failure to create a strong political following that could be turned into a voter base. The governing party did not have a well-defined ideology. While pursuing the distributive public policies that led to strengthening the government's executive arm, the governing Farmers and Greens Union failed to develop a political identity and create the voter base accordingly. The party was torn between the populism rhetoric and the urge to increase the government's executive powers, yet failed to produce either a mass populist movement or a more politically defined party around a strong leader. In 2019 the then Prime Minister Saulius Skvernelis lost the first round of the presidential elections to the current President Gitanas Nausėda and the Prime Minister Ingrida Šimonytė, thus weakening his leadership. His co-leader of the party electoral list, the chairman of the

party Ramūnas Karbauskis tried to use the populist methods but failed to connect with the voters due to the lack of charisma.

Though the governing party emphasized the importance of culture and community at a local level, yet it lacked the ideology which could underpin it at the national level by connecting the voter to the national community – either through the ideas of liberal nationalism or by referring to the ideals of the welfare state.

The opposition centre-right parties filled the gap by timely and aptly addressing the need of society to have a robust national idea (the Conservatives mostly supported in the major cities and the local communities), the need of the municipalities to a greater degree of freedom from the central government (the Liberal Movement having their support in the mid-size towns) and the needs of the new generation of voters embracing the ideas of libertarianism and cosmopolitanism that characterise the current consumer society.

More importantly, the changing demographics, including the increased participation of women in the labour market with the decreasing pay gap between genders, the growing and more internationally mobile diaspora and the emancipation of LGBT community, - all that contributed to the emergence of the new interest groups that were not represented adequately in the previous government. Thus, the opposition parties' electoral victory has been hailed not as a win of the centre-right political forces per se, but as the historic victory for women's leadership and unprecedented diaspora engagement.

A 31-years old leader of the Freedom Party Aušrinė Armonaitė (the Minister of Innovation and the Economy in the new government) became elected in a single-member constituency, a non-territorial constituency established for the diaspora voters for the first time in these elections. The women leadership in Lithuanian politics is not a new phenomenon. The leadership role was created by President Dalia Grybauskaitė, who was instrumental in putting the agenda of gender balance in politics on the table for two terms that she served in the President's office. More importantly,

the President managed to merge the idea of greater emancipation of women in politics with the national emancipation idea of the past, creating a common ground where liberalism could meet a liberal nationalism underpinning the liberal democratic state. In June 2018 President Grybauskaitė hosted in Vilnius the Women Political Leaders Summit. This extraordinary event was attended by over 250 female Heads of States and Government from across the world and helped project the country's soft power internationally, and the impinge the idea of the women's leadership nationally.

The research has shown that several factors contribute to the emergence of the women leaders in politics, of which the most important are gender-based activism and role models. In Lithuania gender-based activism has been recently very strong (also occasioned by the active role of the Office of the Equal Opportunities Ombudsperson and the European Institute for Gender Equality that has its seat in Vilnius). The role models provided by President Grybauskaitė and other women politicians in the high positions of power, including the Speaker of the Parliament or the Minister of Defence, contributed to women leadership in politics.

However, most importantly, the changing voter demographics have been a powerful influencer enabling the women politicians to gain the upper hand in their party organisations and gain votes. Women are becoming more active in politics and public life. 57,5 per cent of the voters that cast their votes in the recent elections were women (by 4 per cent more than a number of the registered voters). More importantly, women show more political awareness in the main demographic groups of society. In the age group of 35-44 years, there were 6 per cent more women voters, while in the age group of 45-54 years – even 11 per cent. Hence the argument that women are more likely to lead when society is already more feminised cannot be ruled out.



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# **Montenegrin Politics in 2020**

**Vojin Golubovic**

The year 2020 was one of the most turbulent on the political scene of Montenegro. Several events have contributed to this conclusion. Certainly, one of the most important events was related to the parliamentary elections in which the previous power was replaced. Also, it seems that some extraordinary social events, but also external factors contributed to such a result. Regarding relations with the European Union (EU), the situation has been somewhat calmer, as Montenegro has been objected to for years over the same issues regarding progress on the rule of law and corruption. Therefore, the change of government was welcomed by the international community.

## **Parliamentary elections - change of political power**

As predicted in the outlook for 2020, Montenegro's political scene in 2020 was marked by regular parliamentary elections. After the turbulent parliamentary elections in 2016, when a coup was attempted on election day, it could be assumed that the 2020 parliamentary elections would not take place in a democratic and peaceful political atmosphere. Also, the very end of 2019 and uncivilized events in the Montenegrin Parliament could give the outlines of a negative social mood and political upheavals in 2020. The political outlook for 2020 correctly assumed that “the election result will undoubtedly be more influenced by some external factors than the internal political strength of some opposition political parties”. As anticipated, this referred primarily to the perception of the adopted Law on freedom of religion. The later events confirmed that this law had more impact on the results of the parliamentary elections than, for instance living standard or results in fight against corruption. The law came into force at

the end of January, and mass protests over its adoption have not stopped over a period of several months. The protests were organized by the Serbian Orthodox Church (SOC) in Montenegro and pro-Serbian opposition parties. That law seems to have been the strongest unifying force of the divided opposition. Some saw it as a threat to the interests of Serbs in Montenegro, while other parties that were not nationalistic, but civic in vocation, generally accepted the force of the protests because they saw them as an opportunity to gain political points and a better chance of overthrowing the biggest ruling party - Democratic Party of Socialists (DPS). Almost all prominent opposition leaders attended the protests. In any case, their previous impotence to impose important life issues before the elections that would bring them power is now a thing of the past. Because, the DPS, as the most powerful political party, by initiating the adoption of the mentioned law just before the election campaign gave the strongest wind in the back to the passive opposition, and, consequently, gave them victory in the elections.

It is obvious that the calculations of the previous government were wrong. In any case, the political scene in 2020 was again occupied with national issues. The absence of a clear political vision is obscured by imposed identity issues, national and religious affiliation and the like. The same situation was present after the elections. The inappropriate celebration after the elections (with the waving of Serbian and not Montenegrin flags), as well as the response to it in the form of a pro-Montenegrin protest gathering called the "Patriotic gathering" only show the depth of the problems that political leaders dragged Montenegro into in 2020.

In addition, one of the factors that probably had an impact on the election results is the crisis caused by the Corona virus pandemic. Although the previous government formed the National Coordinating Body for Infectious Diseases, whose measures in the first months of the pandemic yielded excellent results<sup>22</sup>, the economic consequences of the pandemic

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<sup>22</sup> Montenegro was Corona-free destination in May 2020.

played a role. In some opposition media, the bad tourist season and the increase in unemployment were primarily presented as a bad result of the government, which had potential impact on the result of the parliamentary elections.

### **Election of a new government**

Although parliamentary elections were held in late August, it took a long time to form a new government. The three opposition coalitions had the opportunity to form a new government, and the leader of the largest opposition coalition gathered around the pro-Serbian Democratic Front (DF) was nominated for Prime Minister. However, the formation of the government was not completed quickly, despite announcements of full harmonization of coalition partners, who have only one vote more in parliament than the new opposition. The reason for delaying the formation of the government may lie in the unwillingness of the parties that won power to find themselves in a new role and take responsibility. Therefore, the demands aimed at forming an expert government made the most sense.

Nevertheless, the influence of the SOC on the formation of the government was obvious. In addition to directly influencing the election result (through open support to pro-Serb parties), this religious institution also intervened in government formation consultations, so that some initial party negotiations on the new government's positions were held in the monastery. Of course, the the SOC priests were presented. Therefore, it could be expected that the demands would go in the direction that the members of the new government do not have to be politicians, but that they must be believers of the SOC. This later proved to be true. With huge financial assistance from the Republic of Serbia, SOC interfered in the electoral process as a political subject and collapsed the principles of secularism in Montenegro. After that, it was clear that the new government would officially be an expert, but would essentially be one that reflects the interests of one religious organization and only one nation, despite the fact

that Montenegro is constitutionally a civil, multinational and multi-confessional state.

The new government was formed only in December, indicating that different interests had to be met. The new Prime Minister (PM), Mr. Krivokapic has barely compiled a list of 12 experts who are the ministers in the new government. What seemed strange was that the PM had the greatest obstruction during the formation of the government from the representatives of the coalition he led, i.e. coalition led by the DF. The number of ministries was reduced by five compared to the previous government, but the changes were mostly "cosmetic" because some ministries were only merged. Therefore, such a procedure has been widely criticized by part of the public, despite attempts to defend it by rationalizing public administration costs. In any case, the new PM has arrogantly called his government "apostolic" and the religious behavior of the new ministers on day when government was elected only confirmed the PM's subordination to the interests of the SOC. Even before the election of ministers, their candidacy was accompanied by various media revelations about the ineligibility of certain candidates, pointing to the fact that, like the PM, they are religious fanatics and Serbian nationalists who support a notorious movement that has collaborated with fascists in the past. Thus, the "12 apostles" supported numerous accusations that the main criteria for the selection of candidates were not so much expertise, but loyalty to the SOC in Montenegro. Although an inclusive government was promised, it is not. It does not include representatives of minority peoples.

Even representatives of the coalition under the URA political movement, which was considered a civic party fighting for civil liberties and values, fell under the pressure of clerical and nationalist impacts, so they did not insist on a different government. Perhaps their lack of capacity to manage such complex situations has come to the fore, or perhaps they have simply seen their political interest in supporting such a government. That remains to be seen.

## **Support from the international community**

The change of government in Montenegro, as well as the election and post-election events themselves, were assessed by most international diplomats as a democratic step forward. Moreover, accusations of individuals from the previous government could be heard that various ambassadors who wanted political changes in Montenegro openly supported previous opposition. However, what the new government has confirmed is the fact that it will not change Montenegro's foreign policy, including NATO membership, fulfillment of obligations in the EU accession process, and that it will not withdraw some decisions of the previous government that were criticized by the new government.(such as recognizing Kosovo as an independent state). These seem to have been sufficient guarantees to the international community, and above all to the EU, to support the new government. In addition, the new government committed itself to fighting corruption, which was the main objection of the international community to the previous government. However, the fact that the new government is mono-ethnic and under the dominant influence of the SOC, and that the rights of citizens have been called into question by the choice of some staffing solutions<sup>23</sup>, is not currently a cause for objections from the international community.

Anyway, 2020 has brought huge political changes to Montenegro that will only leave its consequences in the coming period.

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<sup>23</sup> For example, in December, the new government appointed a man to be a Head of Parliamentary Committee for Human and Minority Rights who had denied genocide in Srebrenica only a few days earlier.

## **Macedonian political developments in 2020**

**Gjorgjioska M. Adela**

Undoubtedly, 2020 will be remembered as an unprecedented year. The coronavirus pandemic, by presenting a triple challenge (to healthcare, to the economy and to society as a whole), which was responded to differently across political contexts, has both tested and reflected on political systems across the world. In the Macedonian context, it exposed many of the pre-existing weaknesses of the country's political institutions and processes.

To illustrate the key developments and how they shifted over the course of 2020, the year can be divided into four distinct periods. The first period extends from the start of the year until the start of the coronavirus pandemic (January until mid-March). The second period (from mid-March until mid-June) is the time-frame during which the most restrictive measures against the pandemic were taken. The third period, which took place from mid-June to mid-September saw the sidelining of the coronavirus pandemic, as the political and public attention shifted on the Parliamentary elections and the formation of a new Government. The period from mid-September until the end of the year was marked by the extended peak of the coronavirus, with the number of infections and deaths spiraling out of control.

### **Start of the year until start of the pandemic (Jan-March 2020)**

The first quarter of 2020 saw the rise of the political temperature in the run up to the early Parliamentary Elections scheduled for April 12th. The regular parliamentary elections had been scheduled for November 2020, but PM Zoran Zaev called for early elections after the European Council failed to start talks with N. Macedonia on joining the EU in

October 2019.<sup>24</sup> In line with the Przino Political Agreement,<sup>25</sup> 100 days ahead of the elections a Technical Government was formed. This meant that opposition ministers and deputies were included in several key posts in order to ensure a fair vote and to remove doubts about political pressures impacting the electoral process. Thus, new Ministers and Deputies were appointed from the ranks of the opposition party. Nakje Chulev became a new technical Minister of Interior and Rashela Mizraki became a new technical Minister of Labour and Social Affairs, both from the ranks of the opposition party VMRO-DPMNE.<sup>26</sup> These political processes preceded the start of the coronavirus pandemic and meant that in the early stages of the coronavirus the country will be governed by a technical instead of a regular government.

### **First responses to the spread of the coronavirus (mid-March until mid-June)**

The first confirmed case of the coronavirus in the country was registered on February 26th. However, it wasn't until mid-March that the contagion started to cause more serious disruptions. In mid-March, the decision to postpone the early Parliamentary elections was announced. It was preceded by the declaration of the first nationwide state of emergency since the country's independence in 1991. Thereafter, curfews started to be introduced restricting partial or full movement (targeting specific age

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<sup>24</sup> Rankin, J. (2019). "EU failure to open membership talks with Albania and North Macedonia condemned", October, 2019, available at: <https://www.theguardian.com/world/2019/oct/18/eu-refusal-to-open-talks-with-albania-and-north-macedonia-condemned-as-historic-mistake>

<sup>25</sup> The Przino Political Agreement was reached between the main political parties with the mediation of the European Union amid a deep political crisis in 2015

<sup>26</sup> "Macedonia has a technical government following PM Zaev's resignation" available at: <https://smart.sdk.mk/vesti/makedonija-dobi-tehничka-vlada-po-ostavkata-na-premierot-zaev/>



groups and localities) in the months of March, April and May. On the weekend between 11-12 of April, a 61-hour long curfew was introduced nationwide, in what has been one of the most restrictive measures a Balkan country had imposed to curb the pandemic. In this period, the Islamic and the Orthodox religious institutions demonstrated similar disregard of the recommendations and restrictions imposed by the Government. As a result, they appeared as challengers of the state's authority and its power to enforce its decisions. At the same time, it emerged that the police are not able to equally and fairly enforce the restrictions on movement or the requirement to wear masks. In turn this further elucidated the erosion of social trust in the institutions and in the rule of law in the country. The result was an inadequate and ineffective attempt to control the spread of infections. By June the country found itself in the midst of the second wave of the pandemic, with 100-200 new cases per day. The second wave has been attributed to three causes: 1) the institutional failure to prevent or restrict large gatherings; 2) the overall re-opening of the country in order to organize the parliamentary elections; 3) to the resurgence of cases amongst workers in large factories across the country.

### **Parliamentary elections distract attention**

#### **away from coronavirus (mid-June until mid-September)**

On June 15<sup>th</sup> the main political parties agreed that Parliamentary elections would be held on July 15<sup>th</sup>. In the week when this decision was reached, the number of new infections ranged from 100-200 new cases daily. 3 months earlier, when the decision was reached to postpone the elections, the number of infected people was only 32. This serves to demonstrate how in the 3 months between April and June the institutional response to Covid19 had become detached from the facts on the ground that is the number of new confirmed cases and fatalities. In the months that followed, the attention shifted almost entirely on the parliamentary elections. The coronavirus was largely absent from the political campaigns of the political parties and the attention revolved around issues such as

foreign policy, corruption, the rule of law and the economy. It took a month and a half after the elections before a new coalition government was formed. The Government was formed by the coalition of three political parties and 61 MPs: 46 MP seats from the SDSM, 15 from DUI and 1 MP from the DPA. The new coalition government in fact represented a continuation of the coalition government, which had governed the country since 2017, indicating that no major changes were to be expected on the political scene in the following period. What changed however was the balance of power between the coalition partners. In comparison to the Coalition Government from 2017-2020 when DUI had 6 Ministerial offices (10 MP seats), in the 2020-2024 Government DUI leveraged its 15 MP Seats in securing a greater share of top ministerial positions including the Ministries of Finance, Economy and Foreign Affairs. Most significantly, a powerful new position was established for the first time under the title “First Deputy Prime Minister in Charge of Coordination of Political Issues Between Departments”, a position that was taken up by DUI’s Artan Grubi. What is more, the coalition partners agreed that the DUI will appoint an Albanian prime minister 100 days before the next general elections, in what has been a concession to DUI’s pre-election demand for an ethnic Albanian premier.

### **Autumn Peak of Infections (Mid-September - end of 2020)**

In the autumn period the attention shifted back onto the coronavirus pandemic. As the third wave took full swing, a record number of new cases and deaths were reported daily making N. Macedonia one of the worst hit countries regionally as well as globally. The response taken by the authorities ranged from mild at best to ineffective and counterproductive at worst. On the one hand the Government failed to take any decisive actions to combat infections. In contrast to the second quarter of 2020 when it rushed to impose strict restrictions, now curfews had been lifted entirely and bars and restaurants started to open. The Government’s only measure had been to make face-masks compulsory in both opened and in closed spaces. With public spending on healthcare amongst the lowest in Europe,

and the healthcare services a victim of structural neglect and mismanagement, it came as no surprise that it proved to be structurally underprepared to deal with the pandemic. As a result, by the end of the year, a total of around 2500 people had died of corona, whilst the total number of infected had reached 85,000 and the total number of cured patients 65,000.<sup>27</sup> What is more by the end of the year it remained unclear whether and which vaccines had been sourced and how and when they will be administered across the country.

Looking at the trajectory of 2020, we can make several conclusions about the interaction between the coronavirus pandemic and the Macedonian political system. Covid19 confirmed the importance of public services and the importance of good governance. In the Macedonian context it also revealed the destructive legacy of neoliberalism evident in the state's inability to control the pandemic as well as in the gross unpreparedness of the public healthcare to respond to the pandemic. Finally, it demonstrated that in spite of such tragic outcomes, the political establishment is far from acknowledging the destructive path dependency of neoliberalism in the country. Thus, it can be concluded that in N. Macedonia 2020 demonstrated the detachment of the neoliberal state from responsibility, accountability and effectiveness over the political space it governs, which as the Covid19 crisis unraveled resulted in the accentuation of bad governance and the acceleration of societal, economic and human consequences.

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<sup>27</sup> <https://koronavirus.gov.mk/stat>

## Poland 2020 domestic policy summary

**Joanna Ciesielska-Klikowska**

***Summary:** The year 2020 was a time of huge political turbulence in Poland, which was additionally reinforced by the prevailing pandemic. The presidential elections scheduled for May were postponed to the turn of June and July, and the election campaign conducted during the COVID-19 epidemic only highlighted the ideological gap between the candidates. However, the election of Andrzej Duda for a next term did not end political animosities, and the second half of the year was full of crises in domestic policy.*

The passing year in domestic affairs promised to be extremely hot from the very beginning. Poland was facing presidential elections - a difficult political campaign and another clash between ruling camp and the entire opposition was about to come from the start of the new year. According to the decision of the Marshal of the Sejm, Elżbieta Witek, made in February 2020 (before the outbreak of the pandemic in Poland), presidential elections were scheduled for May 10, and a possible second round for May 24. Yet, taking into account the epidemic situation (the first Polish case of SARS-CoV-2 infection took place on March 4, and shortly thereafter the state of epidemic was declared nationwide), since end-March, discussions continued whether and when to postpone the voting. Many variants of its organization were considered: holding the elections in the traditional form on the scheduled date, organizing correspondence elections or postponing them for next year.

Contrary to the logic and assumptions of the state of the epidemic, the ruling Law and Justice Party (Prawo i Sprawiedliwość, PiS) wanted to arrange presidential elections on the original May date. However, since

polling stations could not be organised in a traditional form, it was assumed that voting would be held by post. The Minister of State Assets, Jacek Sasin, was responsible for their conduction. Though, taking into account all the disputable issues that arose as a result of the preparations (legality of elections resulting from the issue of forwarding the addresses of all eligible citizens to the Polish Post Office; the costs of the elections; the issue of health risks for postmen carrying election packages; as well as all the political turbulence in this matter that arose between the parties forming the government coalition), the State Electoral Commission decided on May 8, two days before the planned postal voting, that no correspondence election would take place. This decision allowed the Polish Sejm to choose a new voting date. Ultimately, Marshal Witek announced that the 2020 presidential election would be held on June 28, and a possible second round would take place 14 days later. PiS politicians emphasized that June 28 is the last date that allows for elections to be held in a manner consistent with the Constitution. Carrying them out at a later date would require the introduction of controversial changes to the Constitution (which was proposed by the PiS coalition partner, Jarosław Gowin's party Agreement).

The election's postponement changed the composition of the list of candidates. The main opponent for Andrzej Duda (PiS), a representative of the Civic Coalition, Małgorzata Kidawa-Błońska, resigned from the election race. Her place was taken by the President of the capital city of Warsaw - Rafał Trzaskowski. The duel of both men - Duda and Trzaskowski - dominated the campaign, although both politicians rejected the possibility of taking part in a joint presidential debate, which in a way symbolized the divisions that have occurred in Poland in recent years. Eventually, the election was won by Andrzej Duda, who gained 51.03% of votes in the second round (with a turnout of 68%).

Duda's victory was in fact not spectacular. In the first round he had as much as 13% advantage over Trzaskowski, and two weeks later it decreased to less than 3%. Meanwhile, the President seeking re-election had access to almost unlimited resources - parliamentary majority, favourable government and public media, administration, and support from

the State Treasury companies. Nevertheless, he barely beat the counter-candidate who ran his campaign for less than two months with much less resources. Although right-wing politicians celebrated this presidential triumph, it was to be expected that there would soon be a political crisis in the ruling camp. Indeed, Duda's success meant a great political and psychological value for the United Right, yet after July 12, any masks worn by politicians fighting for Duda's re-election were removed.

President assured throughout the election campaign that his second term would guarantee the coordinated management of the country in the political triangle between the government, parliament and himself, though in practice his victory coincided with enormous polarization and aggravation of the situation in Poland.

His electoral achievement and subsequent political steps showed clearly what is the condition of domestic policy at present: even if in Poland there is a semi-presidential system, and in practice a parliamentary one, since 2015 Polish politics has been focused around the leader of the main ruling party PiS, Jarosław Kaczyński. In this system, the President of Poland plays a symbolic role and is an ally of the ruling majority. At the same time, in recent 5 years, since Andrzej Duda won his first term in the presidential election and a few months later Law and Justice won the parliamentary elections, a triumvirate of the President, government and the Constitutional Tribunal was formed - and they all depend on their political patron, Kaczyński. Consequently, in the actual system, both Duda and the heavily politicized Constitutional Tribunal are no longer "safety-valves" limiting the executive power, but organs that facilitate the ruling majority to govern according to their own needs.

This is all the more important today, because Duda's 2020 victory ended the marathon of elections that had been held in Poland for recent two years (local government, European Parliament, Polish parliament and presidential elections). Thus, the next years with the majority government of PiS and Duda in the Presidential Palace were supposed to bring stabilization. But they can be dominated by the so-called "hawks", who will try to play the political game for themselves and build their political

capital in the coming years. If nothing will restrict the ruling camp anymore - neither the elections, nor the President and the Constitutional Tribunal - the right-wing fight for taking power will begin. After all, Kaczyński's departure, if only because of his age (71), is inevitable.

The first example of "hawkish" activity spread around the current Minister of Justice, Zbigniew Ziobro, what led to a serious government crisis at the turn of August and September. Its official reason was the disagreement of some members of the United Right with the provisions of the new "Animal Protection Act", which intended i.e. to prohibit the breeding of fur animals, the use of animals for entertainment and shows, and the creation of an animal council at the Ministry of Agriculture. Although it was one of the key bills for PiS, and in particular for its leader Kaczyński, the serious resistance of Ziobro's party Solidarity Poland forced PiS to change its provisions. At the same time, the uproar around the new law eventually led at the end of September to a serious reshuffle in the government and a reduction in the number of ministries - from 20 to 14. Both coalition parties for Law and Justice, i.e. the Agreement of Jarosław Gowin and Zbigniew Ziobro's Solidarity Poland, received only one ministry each (respectively: Minister of Development, Labor and Technology; and Ministry of Justice).

Only couple of weeks later, Ziobro continued his fight for a high position in the United Right, demanding that Prime Minister Morawiecki (Ziobro's main political competitor) veto negotiations on the EU budget for 2021-2027 due to the link between the payments of funds and compliance with the rule of law. Yet, the adoption of the budget at the European Council summit on December 10, 2020, buried the ambitions of Minister Ziobro once again. The question remains for how long.

Thus, the reorganization of the government introduced stabilization, but only for a very short time. Minister Ziobro was looking for an opportunity to increase his position, while the social situation became more and more difficult as well. It was related to the judgment of the Constitutional Court, which ruled on October 22, that the right to abortion in the event of severe and irreversible fetal impairment is inconsistent with

the Constitution. Just after this ruling thousands of people went on the streets, protesting against limitation of human rights and forcing women and their seriously ill children to bear inhuman suffering. In general they also wanted to oppose the situation in domestic politics, dominated by PiS and personally Kaczyński. However, the mass protests, which have been continued since then, are being pacified more and more brutally by the police. The official reason is the state of the epidemic and the ban on assembly, but it is clear that authorities are using their apparatus to compel the citizens to obey. It is not without significance that the Minister responsible for the police and army is the PiS leader, Kaczyński.

So Kaczyński himself has a hard nut to crack - he has to take care of power of his party, at the same time settling conflicts and pacifying political “hawks”. In this situation, President Duda should be a “safety-valve”, consolidating all groups and the society as a whole. However, as it turns out, despite winning the second term in office, this politician is unable to achieve political sovereignty and is still dependent on Kaczyński. Interesting, if the next year 2021 will bring a change in this matter.



## **Overview of Romanian political developments in 2020: under the signs of elections and pandemics**

**Oana Cristina Popovici**

***Summary:** 2020 started with high political unrest as a consequence of the changes enhanced by the elections' results in 2019 and is ending it in the same way, following the two other rounds of elections scheduled for this year, for the local leaders and the representatives in the National Parliament. The political class managed to pass over the crisis at the beginning of the year in order to ensure a full-power Government to lead the country during the pandemics. The balance of power remained tensed, as the National Liberal Party (NLP) managed to score several wins in the local elections but was closely followed by the Social Democrat Party (SDP). Moreover, confronted with the pandemics, on one hand, and with economic problems, on the other hand, which forced to unpopular measures, the leading NLP came the second in the very recent elections for the representatives in the National Parliament.*

The beginning of 2020 announced that Romania was going to have a very tensed year on the political stage. Romania had just get through two major rounds of elections – for the European Parliament and for the Presidency, and was waiting for the other two, in which the local leaders and the representatives in the National Parliament were to be elected. The major parties, passed through the fire of two elections back in 2019, were enraged to continue the battle during the whole year, in the following next two rounds of elections, looking for gaining a bigger part of the stake, on one side, or for revenge, on the other side. Coming with a strong advantage after the win of the elections for the European Parliament and for the Presidency of Romania, NLP intended to strengthen its result. Counting on population support after taking the lead of the Government, the party

started the fight for changing the law for the elections of the mayors and for triggering early elections for the National Parliament, in order to reconfigure its composition into a more favourable structure.

The major opposition party, SDP, who had the lead until the end of 2019, managed to keep the majority in the Parliament and therefore to represent an obstacle for any major law intended to be passed by the NLP Government. For SDP, the status-quo related to the elections was advantageous. On one hand, SDP clearly opposed triggering early elections for the Parliament, on the background of image loss and drop in voters' intentions. On the other hand, for the local elections, the legislation imposed only one round for choosing the mayors, the winning candidate being the one with the highest score, regardless of the number of voters. SDP, with a good local organization, counted on further wins with such a law and clearly rejected its change for allowing the election of mayors in two rounds. According to the calculations made at that moments, if elections were to be organized in two rounds, SDP would have lost at least half of the current mandates for mayors and county councils. As a consequence, after the Government decided to assume responsibility for the election of mayors in two rounds at the beginning of 2020, SDP filled a no-confidence motion which led to the dismissal of the Government, which was only three months and one day in office. However, this has started the procedure for early elections in the Parliament, which was in NLP' favour. There was the need of two proposals of the Prime Minister to be rejected in Parliament, which would have led to its dissolution. The procedure, which was credited with low chances from the beginning, as it implied the change of the electoral law six months before the date of the elections and the shortening of the Members of the Parliament' (MPs) mandate, which was unlikely due to losing their privileges, was abandoned once the Covid-19 pandemics started in March.

On the background of these political movements, the outbreak of the coronavirus crisis surprised Romania with an interim Government, with limited responsibilities regarding the administrative activities. Confronted with stringent measures needed for limiting the spread of the virus and for

strengthening the healthcare sector, political parties decided to finish what seemed like a hopeless electoral fight ending in a political crisis and speeding up the procedure for the nomination of a new Government. As a result, the Orban Government, dismissed earlier, was appointed again, having a similar structure and ministers as the previous one. Following the investment of the Government, Romania's President declared state of emergency to fight the coronavirus. The Government managed to keep almost the same team of ministers, with few adjustments, during the whole year. The Health Minister was changed only once, soon after the beginning of the crisis.

The political stage in Romania calmed down during the two months of lockdown but has emerged with new forces for preparing the local elections, which were postponed from June to the end of September due to restrictions for limiting Covid-19 spread. However, the political battle was less fierce than announced at the beginning of the year. Among the major events, SDP has again submitted a no-confidence motion for the dismissal of the Government in an extraordinary meeting in the Parliament during the summer holiday, which have failed following the lack of quorum.

Despite a new wave of Covid-19 infections, slightly over 46% of the total number of citizens participated in local elections. The winner was NLP, which obtained 34% of the votes, followed by the SDP with 30% and the USR (Save Romania Union)-PLUS alliance with 13%. NLP obtained the highest political score attained by a right-wing party in the last 30 years. Still, the target was not completely achieved. According to analysts, although NLP became the first party in Romania, SDP remained the most important party at the level of county councils, with good perspectives in the view of the Parliamentary elections.

One of the most important political battle in 2020 took place for the leadership of the Bucharest City Hall. The previous mayor from SDP run for a new mandate but was defeated by the representative of the right-wing parties, Nicusor Dan. Centre-right parties, such as NLP and the USR-PLUS Alliance did not manage to adopt a national common vision for the local elections, therefore alliances were made only regionally. Due to such an

approach, although pushing for becoming an important party, USR-PLUS obtained a modest result in the country, but with some remarkable wins in several important cities.

Despite disputes for postponing the date of the Parliamentary elections from December to March 2021, elections were organised as initially scheduled. On the background of critical situation regarding Covid-19 infections, the turnout in the parliamentary elections was 31.84%, meaning that almost only 5.8 million citizens have voted, which is the lowest turnout in the last 31 years. The major problem is that, faced with such a low turnout, the legitimacy of the Government and Parliament could be easily contested. After the count of over 80% of the votes, SDP is the winner with over 30% of the votes, NLP has almost 25%, while USR over 14%. SDP improved its image by adding some of the most important personalities of the moment on their lists of candidates, while NLP scored low following unpopular decisions on the background of pandemics and the economic situation. As expected, USR-PLUS had low chances for a comparable score, since it does not have a well-organised network in the country. The great surprise of the elections is the score of over 8% obtained by the Party Alliance for the Union of Romanians (AUR), a party newly formed in September 2019, which supports the family, the country, the faith and the liberty, showing so far, some nationalistic features. In September, AUR leaders organized an anti-mask protest, criticizing the authority's decision to impose the wearing of masks in public spaces, one of the very few manifestations in Romania on this topic. The results have to be finalised after counting the votes of the Romanians from abroad.

The year ends with turbulences inside the political parties, each of them eager to form alliances in order to get the majority in the Parliament. NLP, the actual governing party, intends to gather around all the centre-wing parties, including USR and the minorities, while avoiding any cooperation with SDP, in order to ensure majority in the Parliament for the intended reforms. On the other hand, SDP is trying to get the partnership of the new AUR party, for obtaining a majority and proposing a Prime Minister. However, the talks on forming a governing coalition will take

place after the final results of the parliamentary elections. After that, it will follow the selection of a new Prime Minister, in charge with a new Government. Traditionally and according to the Constitution, the party winning the elections is the one proposing the Prime Minister, if it manages to gather around the most part of the MPs. A new political crisis is on the verge of commencing once with the new year, if SDP is going to be the winner, as the party will not renounce that easily at the opportunity of taking the leadership of the Government.

## **Serbian politics in 2020: a different path, the same result**

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**Belgrade**

***Summary:** The year 2020 was expected to bring further increase in Aleksandar Vučić's power after the parliamentary elections. This was complicated by coronavirus pandemic, but with careful management, weakness of the opposition and some luck, achieved anyway. At the end of the year, Vučić is looking forward to the third "victory over corona" without parliamentary opposition and at least temporarily relieved from pressure over Kosovo issue.*

At the beginning of 2020, common expectations were that it would bring "nothing new under the sun" when it comes to Serbian domestic political scene. Regular parliamentary elections were to be held this year, the most likely result of which would be further strengthening of president Aleksandar Vučić's semi-autocratic populist regime – with, or without the participation of the opposition. With such power, Vučić would be able to resist international pressure over Kosovo issue, and maybe even reach some understanding with the U.S. Trump administration. And all this actually happened – but with significantly different dynamics caused by a completely unexpected global game changer – the coronavirus pandemic.

When a new disease called COVID-19 started to ravage Hubei province in China, most of the rest of the world dismissed this as yet another false alarm of an apocalyptic deadly global pandemic. When in February it became certain that the things have gotten out of control, and the virus started spreading to other continents, including Europe, Serbia behaved in a similar fashion. Both the government and medical experts denied the danger and mocked the fear that started to spread all over the continent. It was not before the World Health Organization declared the

pandemic on March 11 that they changed their minds – and when they did, their reaction was fast and furious. Before this, Serbian politics was unfolding by “business as usual” model. The opposition, led by its then strongest force “Alliance for Serbia”, was persistent in holding anti-government rallies, but without much impact. Negotiations with Priština were still frozen, but expected to unfreeze soon, once the new Albin Kurti’s government removes custom duties on imports from Central Serbia. And the most important thing – at the beginning of March, the elections were announced for April 26, with the electoral threshold lowered from 5 to 3 percent, but with almost certain boycott by most of the “real” opposition. Corona ruined the schedule.

It took only 2-3 weeks to pass from total neglect of the virus threat to some of the harshest measures against it: state of emergency (declared on March 15), night and weekend curfews, complete ban on leaving homes for older than 65, closure of schools and all non-essential services, suspension of public transport, etc; from Vučić’s “don’t worry, we’ll have only tens, not hundreds of infected” when the first case appeared, to “all cemeteries in Belgrade will be small to receive our elders if we let them out of their homes”. Of course, the elections were postponed. The opposition at first did not object; on the contrary, they criticized Vučić for not imposing state of emergency earlier. But as the epidemiological curve started to flatten in April and people got more and more annoyed by the isolation, the opposition used the situation to start criticizing the same measures it suggested earlier, even putting into question the legality of the state of emergency, and organizing its supporters to clang pots from their windows as a kind of protest during curfews. The first day the state of emergency and curfews were lifted at the beginning of May, infamous Srđan Nogo – known by hatred against migrants and threats of hanging ruling politicians by lampposts – organized a rally in Belgrade, with a disregard for epidemiological measures. This was followed by several incidents on the National Assembly building entrance, as its sessions were resumed. Meanwhile, the elections were rescheduled for June 21, in the political atmosphere which was not looking good. Vučić did his best to improve it.

He managed to do this by almost complete removal of restrictive measures against corona. Until the beginning of June, everything (except schools and cinemas/theatres) was open again, gathering bans removed, unlimited cross-border travel allowed, while face masks were no more mandatory even in public transport. Mass rallies were held by all political parties, including those which decided to boycott the elections. Crowds were back to football stadiums, a big tennis tournament organized, concerts and similar happenings renewed. All this contributed to significantly relaxed atmosphere ahead of the elections, supporting the government's narrative that "corona was beaten". The medical part of the crisis staff did not differ – leading epidemiologist Dr. Predrag Kon at the beginning of June said that the epidemic was fading and that everyone should completely relax at least until autumn. Such attitude was strange, having in mind that the figures of the infected were still on the rise on a world level, including areas warmer compared to Serbia. Inordinate behaviour soon took its toll - the second wave of the epidemic, that would become twice as big as the first one, started not later than in the middle of June, but this was apparently concealed until the elections were over. When it went public, a point of no return to a new health and political crisis had been already passed.

Constitutional supermajority won by the list "Aleksandar Vučić – For Our Children", led by the ruling Serbian Progressive Party (SNS) positively surprised Vučić. He now got a chance to choose whether his party would form the government alone, or with coalition partners. What surprised him negatively was low turnout (not more than 50 percent overall, only 35 percent in Belgrade) and the fact that even with lowered threshold only two non-national minority lists managed to enter the parliament (Socialist party of Serbia – SPS, and Aleksandar Šapić's Serbian Patriotic League – SPAS), which meant that the boycott by the "Alliance" had some success in compromising the legitimacy of the elections. But what was far more challenging was the question how to tackle unexpected summer burst of the epidemiological curve. At the beginning of July, Vučić announced new weekend curfew for Belgrade, but soon reneged on this when the people



spontaneously gathered to protest in front of the Assembly. Yet, he was lucky – the protests were soon compromised by violence committed by the extremists, while summertime made possible putting the epidemic under control only by mild measures (such as mandatory face masks in closed spaces and gathering restrictions). Before the expected third wave in autumn, Vučić got some time from August to October to handle Kosovo issue and calculate with the new government formation.

After the custom duties were removed in April, negotiations between Belgrade and Priština could be resumed. American Trump administration took over from Brussels the leading role. The trip of the two delegations to Washington planned in July was cancelled, but the one in September took place. Vučić and Kosovo Prime Minister Hoti were received by Trump in the White House and signed two separate political agreements, whose contents were quite surprising. These agreements were more about support for Israel, the role of U.S. firms in economic projects in the region, energy diversification away from Russia and obligation not to buy 5G technology from China, than about resolving Belgrade-Priština dispute. Vučić could still proclaim “victory” in Washington, yet he was immediately attacked by the opposition for taking obligations that could cause damage (such as moving Serbian embassy to Jerusalem) without getting much in return. Additional argument of the critics was that Trump could lose the upcoming presidential elections, which would mean that Vučić “bet on a wrong horse”. Although an absolute favourite at the beginning of the election year, Trump eventually did lose to Joe Biden, due to disastrous handling of corona crisis in the U.S, but should it bother Vučić? Actually no, because he now could get an opportunity to renege on bad obligations, while taking advantage of some other parts of the agreement – such as the moratorium on seeking membership in international organizations by Kosovo. And with traditional Albanian supporter Biden in the White House, he could hardly be pressured to accept a painful compromise, for now he won’t be presented with one.

Trump was not the only world politician harmed by corona pandemic. In August, Belarusian strongman Lukashenko brutally stole the elections,

but mass citizens' protests that followed put him in a check-mate situation. The same month, Milo Đukanović's ruling party in Montenegro lost the elections after being in power for even longer time than Lukashenko did. And in November, Republic of Srpska's long-time undisputed leader Milorad Dodik lost the local elections in capital city of Banja Luka to a young oppositionist Draško Stanivuković. However, it seems that the wave of falling autocrats and populists will bypass Vučić, whose political power is for now not even scratched by the ongoing disastrous third wave of corona epidemic. After four-month long "foot-dragging" on the new government formation, this job was eventually done in October. In an obvious attempt to ensure re-election in the upcoming presidential elections in 2022 (early parliamentary elections are also announced), Vučić opted for a "catch-all" government, with both SPS and SPAS on board. What is more surprising and at the same time a proof of a "catch-all" strategy are the names of some new ministers. The only two ministerial posts given to SPS actually went to its officials who were most vocal critics of Vučić for years – Branko Ružić and Novica Tončev (the latter even threatened to block Belgrade-Skopje highway with his supporters during summer, after he won against SNS in his hometown of Surdulica in Southern Serbia). One of the most recognizable faces from the ranks of medical experts, Darija Kisić Tepavčević, became the minister of work. And even Gordana Čomić – who was staunch oppositionist since Vučić came to power, but recently expelled from her Democratic Party – got the ministerial seat. With the now extra-parliamentary opposition left in tatters ("Alliance for Serbia" split soon after the elections), it seems that, when it comes to Serbian domestic politics, the 2020 has – surprisingly, or not – the same conclusion like 2019, 2018, or 2017 had: Vučić is stronger than ever.

## **Conclusion**

In the year 2020 Serbian president Aleksandar Vučić managed to further increase his power by decreasing the opposition influence and successfully handling Kosovo issue; yet, what is especially remarkable, he did this in spite of corona crisis.

## **Review of Slovak political development in 2020**

**Peter Csanyi**

***Summary:** The 2020 parliamentary election in Slovakia at the end of February 2020 was expected to bring a change after two governments dominated by the Direction-Social Democracy (Smer-SD) party of former Prime Minister Robert Fico, who was forced to step down in 2018 in the aftermath of the murder of journalist Ján Kuciak and his fiancée Martina Kušnírová.*

*The center-right Ordinary People and Independent Personalities (OLaNO) party emerged victorious in Slovakia's general election, with voters responding to the party's pledge to push anti-corruption reform following the murder of journalist. The new center-right coalition government, led by Prime Minister Igor Matovič, controls a constitutional parliamentary majority with a common goal to fight the virus and to fight corruption.*

*The government struggles to deliver on its pre-election promises, at least while the COVID-19 outbreak continues. These include balancing economic growth across regions, boosting R&D and innovation and fighting corruption. The latter involves judicial reforms, including more rigorous selection of judges and the establishment of a specialist court focusing on disciplinary proceedings against legal professionals. The COVID-19 impact brings considerable uncertainty for the Slovak economy. Into 2020, top domestic challenges include labor shortages, regional imbalances, and continued rapid credit growth.*

*The most important aim of Slovakia in 2020 and, probably, in 2021 will be to fight off the crisis of trust. While critics have for decades accused the Slovak justice system of being slow and ineffective, it was the investigation into Kuciak's murder that showed the judiciary in its worst*

*light. In March 2020, Mária Kolíková, a long-time advocate for justice reform and a member of For the People, became the new justice minister. She prepared a detailed plan to clean up the courts. The government program declaration includes solutions to the most serious problems of the rule of law and there is a chance that if they are carried out, they can really contribute to increased public trust, not just in the judiciary, but also in other institutions. Boosting faith in state institutions is one of the thorniest challenges for the new government.*

**The most important political events,  
which has had an effect on Slovakia in 2020**

**2020 Parliamentary Election in Slovakia**

The official results of the 2020 parliamentary election showed that Ordinary People and Independent Personalities (OĽaNO) was the most popular party, with 25.02 percent of the vote. Its support surged from 11.02 percent in the 2016 election. The party has 53 seats in the new parliament. Second came Direction-Social Democracy (Smer-SD) with 18.29 percent of the vote, losing about 10 percent compared with its 2016 result. The third highest result was We Are Family (Sme Rodina) of Boris Kollár with 8.24 percent. The turnout was quite high, just as the previous predictions suggested. As much as 65.80 percent of eligible voters cast their ballot. There are three more parties sitting in the parliament: far-right People's Party – Our Slovakia (Ľudová strana – Naše Slovensko, ĽSNS) with 7.97 percent, Freedom and Solidarity (SaS) with 6.22 percent, and For the People (Za Ľudí) of ex-president Andrej Kiska with 5.77 percent.

The coalition of Progressive Slovakia/Together (PS/Spolu) parties failed to make it to the parliament. It needed to gain at least 7 percent of the vote (requirement for coalition political parties with one slate), but the results showed its support at only 6.96 percent. The party missed some 1,000 votes, making it the narrowest loss in history.

Smer-SD lost both of its coalition partners. While the Slovak National Party (SNS) was supported by 3.16 percent of the vote, Most-Híd gained only 2.05 percent. Both achieved their worst election results so far. The Hungarians have no representatives in the parliament for the first time since independent Slovakia emerged.

It seems that a center-right opposition party focused on rooting out corruption brought hope for the voters. Vowing to push through anti-corruption measures in the judiciary and police, Igor Matovič, the leader of the winning OĽaNO party galvanized voter outrage over the murder of journalist Ján Kuciak and his fiancée, and the high-level graft their deaths exposed. According to Igor Matovič people wanted OĽaNO to clean up Slovakia as well as they want them to make Slovakia a fair country where laws will apply to everyone. He thinks that it was the death of Ján Kuciak and Martina Kušnírová that woke up Slovakia, vowing that his administration would have zero tolerance for corruption.

### **Fighting the Virus**

The Prime Minister, Igor Matovič, declared shortly after he and his cabinet was appointed by the President that Slovakia nowadays had many problems, mainly the lack of trust in the state, but the historically biggest challenge for now was the pandemic. The government has a remedy for the coronavirus. It is the solidarity, responsibility, and determination of the people who care about Slovakia.

Slovakia was not ready for the coronavirus outbreak, but the country has already tried to fight the first, then the second coronavirus wave in fall 2020. Generally applied measures are, for example, wearing a protective face mask including in the streets. When queueing, people are required to stand at least 2 meters from each other, both indoor and outdoor. All shops have to follow the rules of the Slovak pandemic commission. Schools remain closed until further notice. Trains remain free of charge for pensioners, but the government called on the elderly not to use public transport unless absolutely necessary. The government calls on those older

than 65 not to leave home unless absolutely necessary and eliminate social contact. There are testing points in front of every hospital that does the testing, etc.

### **Fighting Corruption**

The anti-corruption is at the top of current government's agenda. The COVID-19 crisis did not stop the authorities going still further to root out graft. PM Igor Matovič called out Kajetan Kičura, director of state material reserves, for suspiciously inflated procurement prices for essential medical supplies needed to fight coronavirus. The government duly fired him and he was later arrested and charged with corruption.

It is obvious that the fight against corruption is the central plank of the current coalition. Some things started even before the creation of this government, thanks to public pressure and some honorable prosecutors and judges, but we can see that some judges have already had to leave their seats and it seems to continue. The good news is that the government would not hold back from bringing corrupt officials to justice after years of high-level impunity under Smer-SD. The National Criminal Agency (NAKA) have launched several operations: for example among others the former head of the anti-corruption unit, Robert Krajmer and the former state secretary of the Justice Ministry, Monika Jankovská are in custody on corruption and other charges. Besides, Norbert Bödör faces charges of money laundering in the Dobytkár (Cattle Breeder) case, one of the largest corruption affairs in Slovakia's history involving suspected bribes and money laundering worth more than €10 million. Bödör, an alleged Smer-SD sponsor, has been in contact with mobster Marian Kočner according to the Threema messages found on the latter's phone during the investigation of the Ján Kuciak murder.

The National Criminal Agency (NAKA) launched the Plevel (Weeds) Operation in September targeting corruption activities. NAKA also detained Ľudovít Makó, former head of the Financial Administration's Criminal Office. Thanks to Operation Očistec (Purgatory) former police

corps president Tibor Gašpar, detained in early November, was taken into custody as well as the ex-police chief, Milan Lučanský. Besides, Special Prosecutor Dušan Kováčik also faces charges.

While critics have for decades accused the Slovak justice system of being slow and ineffective, it was the investigation into Kuciak's murder that showed the judiciary in its worst light. In March, Mária Kolíková, a long-time advocate for justice reform and a member of For the People, became the new justice minister. She prepared a detailed plan to clean up the courts. The government program declaration includes solutions to the most serious problems of the rule of law and there is a chance that if they are carried out, they can really contribute to increased public trust, not just in the judiciary, but also in other institutions. Boosting faith in state institutions is one of the thorniest challenges for the new government. Experts welcome the proposals for greater transparency, reforms of the Constitutional Court, a new system for electing the General Prosecutor and the creation of a new High Administrative Court that would deal with disciplinary matters concerning judges and prosecutors.

### **Investigation of the Murder of Journalist:**

#### **Ján Kuciak Murder Trial**

Marian Kočner and Alena Zsuzsová were acquitted of charges related to the murders of Ján Kuciak and Martina Kušnírová. The judges found that prosecutors had failed to prove Kočner and a third defendant had ordered the killings. It means that the crime was committed, but it has not been proved that Marian Kočner and Alena Zsuzsová ordered the murder. The court therefore acquits the defendants. Tomáš Szabó and Marian Kočner have been found guilty of the unauthorized carrying of weapons. Kočner was given a financial sanction of €5,000 and an alternative punishment of five months in prison if he fails to pay the fine. Tomáš Szabó has been found guilty of murdering Kolárovo entrepreneur Peter Molnár, and of involvement in the murder of Ján Kuciak and Martina Kušnírová. He was sentenced to 25 years in a maximum-security prison.

The verdict drew reaction from the top state representatives as well as international journalistic and media freedom organizations. President Zuzana Čaputová admitted she was shocked by the verdict and added she believes the families of the murdered couple deserve to see those who ordered the murder bear the consequences of their deeds. Prime Minister Igor Matovič believes justice still awaits the people who are behind the murder. Politicians, non-governmental sector and journalists ask for the fight for justice to continue. The prosecutor filed the appeal against the acquittal on the spot. It means that the case is not over and there is still a chance to get justice.



# **Slovenian politics in 2020: Government changes amidst the Covid-19 epidemic**

**Helena Motoh**

*Summary: In 2020, the political developments in Slovenia were marked by two main topics: the change of government and the two waves of the Covid-19 epidemic. The new Janša government which was formed after the resignation of Prime Minister Marjan Šarec, faced the first wave of the Covid-19 epidemic with taking to harsh public lockdown measures, even tightening some of them in the autumn second epidemic wave. The public criticism of the government was strengthened after the discovery of the indications of several corruption scandals, connecting high-level government representatives with the irregularities in the purchasing of medical equipment. Political opposition organised with a proposal for the vote of no confidence in the Constitutional Arch Coalition (KUL). After the leadership change in one of the coalition parties, DeSUS, the party left the government, leaving the political situation very unstable due to the weak parliament majority of the current government and a strong opposition.*

## **Resignation of Prime Minister Šarec and change of government**

After a crisis related to the proposed abolishment of the supplementary health insurance system, the extra-governmental partnership between The Left and the Šarec coalition split, causing serious turbulence in the government coalition. After the Minister of Finance Andrej Bertonec announced his resignation on January 24, Prime Minister Marjan Šarec followed by announcing his resignation on January 27, effectively ending the mandate of his minority government. In the following month, several scenarios were debated, most prominently the

early elections or the formation of the government with a new coalition majority. The latter was realized, especially due to smaller parties DeSUS and Modern Centre Party, not being willing to risk a downward turn in the snap elections. After both of these parties facing strong opposition within their leadership and their memberships – before the 2018 elections they were both strongly against coalition with Janez Janša's Slovenian Democratic Party – they nevertheless agreed on joining the coalition. The fourth coalition partner, New Slovenia, was easier for Janša to negotiate with, since its new president, Matej Tonin, was much less critical to Janša's political position than the previous NSi leader, now Member of European Parliament, Ljudmila Novak. The formation of the government was happening at the same time as the Covid-19 epidemic was starting – the first case being reported on March 4 and the epidemic then being officially announced on March 12. The worsening of the health situation, the hearings of the ministers and the voting process were shortened, with the new government under Prime Minister Janez Janša being sworn in on March 13. The power relations in the government became more evident with the distribution of ministers' positions: most important (Ministry of Interior, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Culture and Ministry of Environment) were kept by the Janša's Slovenian Democrats, except for the Defence Ministry given to Matej Tonin, president of New Slovenia and the Ministry of Economic Development, given to Zdravko Počivalšek, president of the Modern Centre Party. President of DeSUS, Aleksandra Pivec, kept her position as a Minister of Agriculture, while Ministry of Health was also given to DeSUS' Tomaž Gantar.

### **Political responses to the Covid-19 crisis and the related corruption scandals**

The new government had to immediately focus on solving the COvid-19 epidemic crisis. When they took over, the epidemic situation was rapidly worsening, but most of the cases were still imported from other

countries, notably Northern Italy, where a large number of Slovenians went for ski holidays of the previous weeks. The local spread started with the spread in a few primary schools and then, most worryingly, with the spread in and around the nursing homes in different Slovenian regions. Universities stopped lectures on March 9 and schools were closed on March 16. The new government reorganized the management of the epidemic, establishing the Emergency Response Unit, a joint body of the government and medical experts, and choosing a new government PR representative, Jelko Kacin. The choice of Kacin, Minister for Information and government representative during the 1991 independence war (when Janša was Minister of Defence) and the complete centralisation of the government contact with the general public sent clear signals that the epidemic would be dealt with in a more military manner, a move that was soon criticized by media and the general public alike. Infectiologist dr. Bojana Beović, coordinator of the expert group became the other communicator, with the exact relationship between the government and the expert often not clearly presented to the public. A change was made in the leadership of the National Institute for Public Health. After its former director, Nina Pirnat stepped down few days after the new government began its mandate, the acting director was laced there, only to be removed few weeks later after expressing his doubts of several government measures in public. The position was then given to Milan Krek. Along with the strongly authoritative approach of the PR representatives, the measures largely followed those in other European countries, progressing through subsequent stages of lockdown of public life. General response to lockdown was good and the measures proved effective, flattening and reversing the epidemic curve in a month, with exception of several seemingly more arbitrary measures that were widely criticized, notably, the limitation of movement to the municipalities. In the second lockdown the measures were implemented with a delay, especially the closing of borders with the neighbouring Croatia, where the epidemic was strong during summer months. The borders only being closed just before the summer holidays ended, the influx of infections inevitably caused the start of the

second wave for epidemic, that worsened in October with the measures progressing to full lockdown in few weeks.

### **Corruption scandals and the protest movement**

As the spread of the Covid-19 epidemic continued, lack of necessary medical equipment – notably personal protective equipment and ventilators for mechanical breathing – became one of the most pressing problems. The new Janša government decided to give the task of the large-scale purchases to the Agency for Commodity Reserves, which later proved to be understaffed and not well equipped for dealing with such extensive complex purchases. The government decided to not buy the equipment directly from producers or suppliers abroad, but to perform all the purchases through intermediary companies in Slovenia. What was allegedly a preventive measure, then turned out to be a worrying potential for corruption. Some material that was shipped like that, disappeared completely due to fraud, some of it was inappropriate or without necessary certificates, but most notably – as subsequently leaked by a whistle-blower Ivan Gale – the selection of intermediary companies was often done under political pressure of high government representatives. Among those, Gale's testimonies exposed Minister of Economic Development, Zdravko Počivalšek, and several right-wing politicians, e. g. former Member of European Parliament Lojze Peterle and the president of Slovenian People's Party Marjan Podobnik.

The alleged corruption cases, currently under the revision of the Court of Audit, caused a wide protest movement. First organized "from the balconies" during the strictest lockdown, the protest then moved to bicycles and became known as the Cyclist movement, meeting every Friday evening around the parliament, protesting against the corrupted purchases and expressing their support to Ivan Gale, later widening the scope of the protest to the criticism of government's measures. Most notably, their protest is directed against what is seen as a progressively authoritarian style of leadership and the political pressure on national media and other public

institutions, where Janša's government has been replacing the leadership structures for the past few months. During the second wave of the epidemic and the subsequent lockdown, the protest movement stopped with the Friday cyclists' gatherings, while continuing the protest activities with different means (protesting in cars, protest Christmas decorations etc.).

### **Constitutional Arch Coalition and changes in DeSUS**

In October, the political opponents of the current government, joined under a new initiative of Jože P. Damijan and a group of public intellectuals. Damijan, a well-known economist, called for a wide coalition of political parties against the irreversible shift towards illiberal practices and autocratic leadership model they see happening under the leadership of Janša's Slovenian Democrats. Damijan soon got support from the Social Democrat's president Tanja Fajon, Marjan Šarec List president Marjan Šarec, Alenka Bratušek of Alenka Bratušek Party and Luka Mesec, president of The Left, who organized a joint press conference in support of what was now called Constitutional Arch Coalition (KUL). They addressed especially the three coalition partners, DeSUS, New Slovenia and Modern Centre Party, to join their initiative to prevent the harmful effects of the policies of the leading coalition party.

In DeSUS, the changes did start to take place after the change of leadership in early December. After its former president, Aleksandra Pivec, was forced to step down due to a series of corruption scandals she was involved in, the late November election brought back the previous president, Karl Erjavec and an expected turn in DeSUS political position. With Pivec being more sympathetic to Janša's policies, Erjavec – in negotiation with some of the DeSUS parliament members – managed to revise the orientation of the party and initiate a decision of the party leadership to leave Janša's coalition, which was done on December 17. Erjavec also proposed the vote of no confidence for Janša, where he will probably try to propose himself as an alternative Prime Minister. This change in the opposition strategy was agreed to also by the rest of the

Constitutional Arch Coalition, but so far still lack support of several parliament votes.

### **Conclusion**

The changes and shifts in an otherwise already turbulent political year were additionally worsened by the Covid-19 epidemic crisis. After the new government seemed to manage the first wave of the epidemic with considerable success, this was tainted by a number of large-scale corruption scandals in the purchases of medical equipment and measures that were seen as move toward a more authoritarian and less democratic state. With a delayed response and the much less successful management of the second wave of the epidemic, the public response is progressively critical also beyond the established protest movement. With the opposition initiative being only few votes away from the successful vote of no confidence, the political situation in the upcoming period will most probably continue to be very unstable.

## **Part II Review of Economic Development**

# **The costs of the pandemic for Albania**

**Marsela Musabelliu**

*Summary: The COVID-19 pandemic will likely end up costing between \$8.1 and \$15.8 trillion globally. In Albania the losses were worse than predicted, the recovery will take more than one year (what was initially estimated) and the aid declared for the ones in need is not even half of what was publicly claimed. 2020 has tested the resilience of the Albanian economy and it has placed immense social and economic strain on households and businesses, and has forced the authorities to act hastily in order to address the health crisis and to introduce major policy initiatives to contain its impact. In the beginning of this year, economic forecasts for Albania were calculated with a projected growth of 3.4–3.6% in Gross Domestic Product (GDP) according to the main international financial institutions. It was expected that this growth would spark from internal/private consumption, investments and tourism. Sadly, all three main hopes were heavily impacted by the lockdown and uncertainties afterwards, thus the consequences were extensive and far-reaching.*

## **A year in review: chronological analysis**

Even though what hit the Albanian economy the most was the total lockdown of the country for three months due to the pandemic, the effects of the same were present prior to that time; in the first quarter, Albania's main trading partner, Italy, was hit during February, so slight setbacks, especially in travel, and exports anticipated the coming of the downturn. The first quarter noted a decline on the overall GDP by - 2.5%, while investment contracted sharply by 16.7%, consumption growth was marginal at 1.1 % and net exports decreased by 8.13%.



However, the total economic devastation arrived starting from March, when the total lockdown was executed. While almost all small businesses had to either close or partially operate, thousands of families were left without income. Service, recreational and tourism business were hit the most hit from the lockdown and an estimation of 60-70 thousand people were left jobless according to official data, while other experts see this index around 200 thousand people (in country where the total working force is 1.15 million persons). All working groups and their income were affected at different extent, except the ones working in the public sector.

During the second trimester of 2020, Albania was standing in the shock-phase of this new economic setting due to COVID-19 and the first support package from the government was granted. A special Normative Act allocated a Financial Package of 12 billion Albanian Lek (ALL). Initially the salary subsidy scheme support was just for small businesses and the self-employed but was quickly expanded to over 75,000 businesses and self-employed that together had 170,000 employees. The total cost was €76 million. A credit guarantee scheme (€85 million) was introduced for Small and Medium Enterprises (SMEs) to pay three months of wages, which enabled local banks to issue loans totaling €53 million for salaries to 550 companies, benefiting about 46,000 employees.

Still the damage of this period is immense, according to INSTAT (the official governmental institute of statistics in Albania) the GDP shrank by -10.2% in the second quarter and -6.6% in the first half of 2020 compared to the corresponding periods of the previous year. However, according to data from the World Bank, the decrease in tourism inflows and exports of goods and services, together with lower incomes, widened the account to roughly 12.1 % of GDP in the second quarter of 2020. Inflation rates peaked at 2.1% in March and May because of supply chain disruptions and minor inflationary pressures from imports during the lockdown.

While the third trimester exposed Albania's heavy dependence on tourism, an industry that in 2020 has seen the worst of its existence since 1997. This was also the time where the economic ramifications of the pandemic started to be clear, small and medium businesses were the ones

hit harder and the evident truth is that the situation only highlights the structural weaknesses of the country's overall economy. As these new economic indicators suggest a slower growth and a longer readjustment period, the hopes were placed into government intervention asked to reshape the economy towards more sustainable development and be present where mostly needed.

The estimations for the third quarter are around -7% while no projections are available for the fourth quarter; however, what the available data as of date demonstrate is that the most pessimistic views were right. Indeed, Albania will most probably close the national balance sheets with a recession of 9-11%.

### **A year in review: sectorial analysis**

**Business and bankruptcy:** In just four months, about 2800 businesses have gone into passive status (which for a small country like Albania is a real disturbing figure). Almost 80% of this group declared closure of activity due to drop in turnover from COVID-19, high local taxes, fines, cancellation of contracts and other related. Many entities, which acknowledged that they had received assistance with Financial Packages 1 and 2, but declared that state aid was insufficient to survive.

**Tourism (and service industry):** The tourism sector, a key driver of growth, was hit especially hard because of containment measures and travel restrictions. In absolute value are € 904 million less revenue to the economy in this period, as a result of the impact that the pandemic gave to the tourism sector in the country. Albanians have also spent less on their travels abroad. According to the Bank of Albania, they spent € 507 million on trips abroad, with a contraction of 58%. For the first 9 months of 2020, Albania was visited by a total of 2.12 million foreign nationals, consisting so in a decline of 61% compared to the same period of 2019.

**Decline in exports:** Exporters are afflicted due to falling orders especially from European Union (EU) customers, but also in the domestic market, although the government is resisting a strong shutdown as is

happening in many European countries, consumption has been curbed and many sectors are facing harsh difficulties. Overall fewer textile processing orders, and lower oil prices are expected to suppress exports by 37 % annually.

**Falling in remittances:** which decreased by almost one-fifth in 2020 compared to the previous year have hurt in large scale private consumption. But what is more problematic is the fact that the most vulnerable of the society, usually the elderly or the “left behind children” are the ones that benefit the most from money sent from abroad, and for this year they had to cope with 20% less.

**Fund for reconstruction after the earthquake:** As the country started its reconstruction phase in the beginning of 2020, the global pandemic forced it to put key economic sectors in lockdown, so did the reconstruction process. In total, during February 2020 € 1.15 billion were raised during the Donors' Conference, however, in October 2020 Prime Minister Rama declared that so far all the work has been done with the funds of the state budget and not with the money received and other countries as promised in the beginning. It is uncertain if the pledges of donation were reversed due to the pandemic or only postponed, on stance is sure, only 8% of what as promised is actually distributed.

**Labor market:** the crisis has been reflected in the labor market. In the second quarter of 2020, employment declined by 3.6 percent year-on-year, unemployment rose to 11.9%, and labor force participation declined. The other main issue is that informality is high in the Albanian reality, thus many workers have informal arrangements with employers becoming so more vulnerable to economic stress. These people were the first to be fired if needed, and were the ones that did not benefit from government support since they could not claim their job loss. To the most precarious strata of the labor market, the crisis meant economic collapse.

**Public debt:** in 2020 lower revenues and a higher fiscal deficit pushed up Albania's public debt to an expected 81.3 % of GDP according to the World Bank, however, Albanian economists are more pessimistic, in

many claim that the public debt is a ticking bomb for the country. While it is acceptable that it increased this year (officially reaching 80% of GDP) to cope with the aftermath of the earthquake and the health emergency, the concern remains with the efficiency of its use and, above all, with what they call “hidden debt”. Including arrears and off-balance sheet liabilities of Public Private Partnership (PPP) real debt is expected to exceed 90% of GDP, reaching volatile levels, turning into an even greater risk than the pandemic, at the moment that the latter, hopefully, will end and the country will focus on recovery. Furthermore, the current account deficit (CAD) is expected to rise to about 11.9 % of GDP for 2020.

### **Conclusions**

Unemployment, negative spillovers from contraction of EU markets, decline of internal consumption due to further impoverishment of households, business closures, stalled tourism, scaled back operations, and disrupted supply chains hurting manufacturing – this is the new reality of the Albanian economy in 2020.

Consumption and investment decisions have been delayed by the uncertainty about the duration of the crisis.

The pandemic will further impoverish Albanians: in the best-case scenario it turns out that about 100 thousand citizens and in the worst case more than 250 thousand individuals will suffer a serious decrease in economic well-being. Several uncertainties, mainly influenced by the change in expectations for the recovery time from the pandemic are sending shockwaves of fear to all. And what is more worrisome is that, the more data become available the more it is realized that the full picture of the actual losses is not complete yet.

# **BiH Economy in 2020: Rise in general poverty, the external debt and the new IMF crediting**

**Zvonimir Stopić**

***Summary:** Periodic paralyses of the government, competitive political positions and widespread corruption make administrative powers in Bosnia and Herzegovina incapable of implementing proper economic reforms which would allow the country to move towards more positive trends. This report will review pre-pandemic trends and the effects the COVID-19 pandemic had on the development of the Bosnia and Herzegovina's economy.*

## **Pre-pandemic period and expectations**

The relatively positive predictions of economic growth of Bosnia by the international institutions, which at the beginning of the year generally stood on 3.5% for 2020, 3.6% for 2021 and 3.8% at 2022, did not correspond to the overwhelmingly negative atmosphere of Bosnia and Herzegovina's society. Besides predictions of a small, but positive economic growth, almost all other trends were on the negative side. For instance, a survey conducted on 1,600 respondents in December 2019 by the Prime Communications Agency showed that a third of Bosnia and Herzegovina's citizens (33.5%) over the age 18 is planning to leave the country. Furthermore, unemployment rate in Bosnia and Herzegovina continued to be high after it reached 47.4% and 33% in 2019, according to the latest World Bank and Agency for Statistics of Bosnia and Herzegovina data, respectively. Bosnia and Herzegovina is also falling behind in development of renewable energy sources and protection of the environment. According to the latest Corruption Perceptions Index published annually by Transparency International, Bosnia and Herzegovina in 2019 was in a group of countries with a fairly high level of corruption (101st out of 180). Various reports also showed that Bosnia and

Herzegovina face loss of the best part of its workforce and talent pool, with strenuous imbalance between salaries and the cost of living.

Just before the COVID-19 coronavirus pandemic outbreak, another significant economic issue appeared in Bosnia and Herzegovina: the question of the new arrangement with the International Monetary Fund. Between 1998 and 2016, Bosnia and Herzegovina entered a total of five arrangements with the IMF withdrawing approx. €1.44 billion. All debts were repaired, except the last one (EFF, 2016-2019) which is scheduled for reparation from March 2021 until February 2028.

### **First part of the COVID-19 pandemic period**

With all the negative issues listed above, the overall economy of Bosnia and Herzegovina at the beginning of March 2020 initially did show some improvements, which roughly corresponded with the World Bank and International Monetary Fund (IMF) average economic growth forecasts for the year 2020 of 3.4% and 2.6%, respectively. The emergence of the COVID-19 coronavirus pandemic, however, completely nullified even the notion of any positive economic trends. The negative effects of implemented quarantine measures which included self-isolation of a large number of people, prevention of movement, closing of the border crossings, etc., were already felt by the end of the month, negatively and heavily affecting almost all businesses, many of which now have difficult time surviving the crisis. This is primarily felt within the private sector. Many of the small and mid-size businesses, which contribute up to 65% of Bosnia and Herzegovina's gross domestic product, while officially only 15% of the working population is part of it, will have to close their doors permanently. A noticeable rise in unemployment, slowing down of production in almost all sectors, as well as the sharp drop in the exports due to the drop in foreign markets demand also began straining Bosnia and Herzegovina's economy.

According to the data given by the Syndicate of Bosnia and Herzegovina, by the end of April approximately 30,000 workers lost their

jobs due to the measures implemented for restraining the COVID-19 disease. The Association of Independent Unions data showed that the service industries have been damaged the hardest, fore mostly small and medium sized companies.

During the summer months, the fragile economy was slowly trying to recover from the consequences of the March-May lockdown measures. Although the relaxation measures were introduced in mid-May, the state interventions to businesses that suffered severe income deficit were slow and inadequate. After almost a month of withholding the IMF loan from being implemented, the Bosnian politicians came to a general agreement of its distribution, so the most important financial injection to the fallen economy was ready to be implemented in the following months. However there has been no general strategy on a state level for the governmental subsidies that would soften the negative economic effects of the lockdown. The first round of subsidies were given only to companies that were ordered to shut down in Republika Srpska. Their government planned to pay out minimal wage of € 260 for companies that have been banned to continue to work in March, April and May. Tax authorities of Republika Srpska received applications for 24,000 workers and were expect to pay out around € 9 million. The Tax administration of Federation on Bosnia and Herzegovina had received around 25,000 entrepreneurial applications for wage subsidies that relate to 174,000 employees. State subventions were given for April, May and June. Around € 100 million from the IMF loan, that was to be distributed to cantons, was intended to be used for this purpose.

### **The loan distribution problems**

#### **Of the latest International Monetary Fund (IMF)**

Although the negotiation positions with the IMF and pandemic context changed in favor of Bosnia and Herzegovina and the IMF on April 23rd did transfer the whole previously negotiated € 333 million to the Central Bank of Bosnia and Herzegovina, the entities leaders at first failed

to jointly sign and send the letter of intent to the IMF. The loan was approved under the emergency program to mitigate the economic consequences of the coronavirus epidemic without additional conditions. So at the end of the April, Bosnia and Herzegovina received the IMF funds and had the financial means to help the general population, however, the funds couldn't be used until the final agreement on distribution was reached. Main reason of disagreement between Republika Srpska and Federation of Bosnia and Herzegovina was over the distribution of percentages. After the loan had been blocked by the Central Bank of Bosnia and Herzegovina for more than a month the Council of Ministers of Bosnia and Herzegovina finally reached an agreement on June 2nd. This situation was interpreted by the representatives of the international community as political "play" and the Bosnian politician have been given a final warning by the EU delegacy and the United States embassy on May 28th to unblock the loan. Finally, the Council of Ministers decided that 61.5 % will go to the ten cantons of Federation of Bosnia and Herzegovina, 37.5 % to Republika Srpska and 1 % to Brčko district.

### **Effects of the COVID-19 pandemic**

As all year-round results are still coming in, according to the Export Chamber of Bosnia and Herzegovina (Vanjskotrgovinska komora), the country's export in the first six months this year had declined 18 % and import declined 16 %, when compared to the previous year. The three most endangered economic sectors are tourism, bars and restaurants and international transport. According to the Central Bank of Bosnia and Herzegovina, the external debt of the sector of the general government of Bosnia and Herzegovina towards international creditors by the end of the second quarterly was € 4.333 billion, increasing from € 4.052 billion that was recorded at the end of 2019.

In general, as analyzed by the experts of the World Bank and other international institutions, the country's economy was hit hard. Expectations of an ongoing deficit crisis is comparable to the recent world financial crisis.



The rise in poverty in Bosnia and Herzegovina is becoming a significant problem. Current forecasting predict a 14.6 % increase due to the effects of the COVID-19. Local economy experts find that the situation is even worse, warning that these forecasts are founded on a research that uses an ineffective methodology and old data from 2015. The latest IMF and World Bank crediting for this year, as new debt crediting negotiations are under way, as announced by the government, will be concluded by the end of the year. Local economy analysts warn that the crediting so far has not been used to help out the country's economy in general but is spent to fix the state budget holes. There are no guarantees that any IMF crediting will change this local political practice.

### **Conclusion**

As soon as the COVID-19 coronavirus appeared in Bosnia and Herzegovina, the already fragile economy was affected. Various implemented restrictions drastically slowed down the economy. After an important decision by the Council of Ministers of Bosnia and Herzegovina regarding the distribution of the International Monetary Fund loan, it was expected that positive changes will be taking place in months to come, but the two entities differed in the application strategies, and the funds were mostly directed to the state budget and not to the economy in general. The external debt of Bosnia and Herzegovina in this year had significantly increased, while the poverty, due to the pandemic, is increasing at a concerning rate.

## **Overview of the Bulgarian economy in 2020**

**Evgeniy Kandilarov**

Like all other countries in the European Union, the Bulgarian economy in 2020 was affected by the global pandemic. The impact of the Covid-19 prompted Bulgaria to declare a State of Emergency on March 13, shutting down parts of its economy as it introduced social distancing and anti-epidemic measures. However, at the onset of the pandemic, macroeconomic conditions in Bulgaria were relatively favorable. At 3.4 per cent, GDP growth in Bulgaria in 2019 was robust for the fifth year in a row, mainly driven by growing household consumption. This positive trend has been interrupted by the Covid-19 outbreak.

The State of Emergency remained in force until May 13, when it was followed by the declaration of an epidemic. That declaration has been extended repeatedly and remains in effect, with restrictions re-introduced recently due to the rising number of coronavirus infections in the country.

The spread of the COVID-19 infection in Bulgaria in the spring has been relatively limited, but the country has been under lockdown since mid-March. The economic fallout from the pandemic was widespread, affecting a large number of sectors. The government launched a package of fiscal support measures, but their effectiveness is still in doubt, especially as regards employment protection.

Containment measures negatively affected supply in sectors directly subject to them. The disposable income of households took a hit and the restrictions led to a higher saving rate. Nevertheless, the decline in consumer spending was curbed by continued wage increases and the relatively low weight in consumption of most affected services. Lower employment and subdued consumer confidence, related to the second wave

the pandemic, are set to weigh on private consumption, while the government's anti-crisis measures are expected to support private income.

Investment activity declined markedly in the first half of 2020. The reduced actual and expected business activity, combined with higher uncertainty, prompted companies to postpone investment plans. As these factors are assumed to remain in place throughout 2020, subdued investment is likely to persist.

Goods exports began to fall sharply in March 2020. Signs of recovery in exports to EU markets have been registered since May 2020, but exports to third countries have not improved. Travel services came to a halt during the period April-June and the flows have improved only slightly since then. The second wave of the pandemic is set to weigh on the rebound of exports in 2020-Q4 and 2021-Q1.

The unemployment rate has increased significantly since the onset of the COVID-19 pandemic. The government's job retention scheme has helped to limit job losses by enabling a downward adjustment in average hours worked. The largest share of job losses was recorded in the accommodation and food services sectors. As some dismissed workers did not start looking for a job immediately, inactivity rates went up. After a sharp increase in the first half of the year, the unemployment rate is expected to level off at 5.8% in 2020.

Bulgaria has been facing the COVID-19 pandemic from a strong fiscal position and the government has put in place measures such as higher remuneration for medical and security staff, subsidies and social support schemes, with an aggregate budgetary impact of around 2% of GDP. Despite the measures and the deteriorating economic outlook, the budget in cash terms remained in surplus for about two thirds of the year. According to the Autumn 2020 Economic Forecast of the European Commission the accrual general government balance is set to turn negative reaching around -3% of GDP by the end of 2020. General government debt is expected to increase by more than 5 pps. and reach over 25¾% of GDP in 2020.

At the same time the tasks related to the mitigation of COVID-19 consequences for banks and their customers involved a considerable effort. One of the most important strategic tasks during this year was the membership of the Bulgarian currency in ERM II and accession of the country to the Single Supervisory Mechanism, by establishing close cooperation of the Bulgarian National Bank with the European Central Bank. As a result of joining the Single Supervisory Mechanism, Bulgaria also joined the Single Resolution Mechanism. From 1 October 2020, the European Central Bank exercises direct supervision over five Bulgarian significant credit institutions, and the Single Resolution Board assumed the function of a resolution authority for these institutions and for all cross-border groups. Owing to the good preparation effort, the transition to the new supervisory regime was smooth, without any turbulence for the banks and their customers.

In the second quarter of 2020 Bulgaria's real GDP fell by 10.0 per cent on a quarterly basis, reflecting the simultaneous decline in domestic demand and net exports. The containment measures introduced to curb the spread of COVID-19 in Bulgaria and worldwide were the main factor behind the very strong fall in the economic activity.

Short-term economic indicators signaled a partial recovery in the economic activity in Bulgaria over the third quarter of 2020. Easing of restrictions imposed against COVID-19 in Bulgaria and abroad resulted in a steady improvement in the business climate and consumer confidence. These developments were accompanied by increases on a quarterly basis in retail sales, turnover in industry, and construction output and services indices, and also by a decrease in the unemployment rate to 7.9 per cent in August from 8.8 per cent in May 2020 according to the Employment Agency data seasonally adjusted by the BNB.

Finally it turned out that the overall economic contraction for Bulgaria was milder than expected. Confinement measures have been less severe and the fall in economic activity lower than in many other EU countries, with economic output having shrunk by 5.2% year-on-year in the third quarter of 2020. The reopening of businesses and the relaxation of

containment measures in the summer were accompanied by a recovery of activity that took on momentum in July.

Manufacturing had almost returned to December 2019 activity levels by September 2020, and goods exports have started to recover. Services, including tourism, passenger transport and retail, have been slower to bounce back. Inflation fell, driven not only by the fall in international energy prices, but also by the slowdown in core inflation and the cut in regulated natural gas and heating prices.

Unfortunately the new surge in the pandemic has affected the recovery and economic activity is expected to slow down substantially in the fourth quarter due to the growth in the number of cases from October and as the lockdown hits at the end of November.

The fiscal response has moderated the rise in unemployment. The government implemented fiscal measures to assist firms and households in March and has extended support as the impact of the pandemic endured. Financing of the measures, estimated to be about 3% of GDP for 2020, has come from national and EU resources. The government's wage subsidy scheme has prevented a sharper rise in unemployment. It protected jobs of around 7% of the labour force in the second quarter of 2020, while helping the most impacted firms with their labour costs. Support programs are expected to remain in place for 2021 and further increases in public wages and social benefits are to be introduced. EU funding is due to be high with strong investment expected at the beginning of the next programming period in 2021 and substantial resources, of about 10% of pre-crisis GDP, to come from the EU Recovery and Resilience Facility.

In the third quarter of 2020 GDP at current prices amounted to 16 196 million EUR in total and 2 338 EUR per person. Seasonally adjusted figures show a decline of 5.2% of GDP in the third quarter of 2020 compared to the corresponding quarter of the previous year and an increase of 4.3% compared to the second quarter of 2020.

## Growth rates of GDP, total and by component

(Source: Bulgarian National Statistical Institute)

|   |  | (Per cent) Growth rate, current quarter compared with the previous quarter |        |         |          | Growth rate, current quarter compared with the same quarter of the previous year |        |         |          |
|---|--|--|--------|---------|----------|--|--------|---------|----------|
|   |  | IV 2019  | I 2020 | II 2020 | III 2020 | IV 2019  | I 2020 | II 2020 | III 2020 |
| 1 | Gross Value Added by economic sector :   | 0.7  | 0.3    | -9.0    | 3.9      | 2.8  | 2.3    | -7.8    | -4.6     |
| 2 | Agriculture, forestry and fishing  | -0.4   | -1.9   | -0.5    | -1.9     | 3.5  | 0.7    | -2.1    | -4.7     |
| 3 | Mining and quarrying; manufacturing ; electricity, gas, steam and air conditioning supply; water supply, waste management and remediation activities | -1.3   | -1.6   | -3.4    | -0.9     | -2.4   | -3.5   | -7.2    | -7.1     |
| 4 | Construction   | -0.5   | -0.6   | -0.9    | 0.0      | 1.6  | 0.1    | -2.1    | -2.0     |
| 5 | Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities          | 0.1  | 0.7    | -21.8   | 10.6     | 1.9  | 2.0    | -20.8   | -12.9    |
| 6 | Information and communication  | 1.8  | 1.4    | 1.8     | -0.8     | 10.6   | 8.2    | 7.0     | 4.3      |
| 7 | Financial and insurance activities   | 2.6  | -0.1   | 2.0     | 0.2      | 3.8  | 3.4    | 4.4     | 4.8      |
| 8 | Real estate activities   | -2.4   | -0.9   | -4.2    | 1.6      | -0.7   | -0.6   | -9.2    | -5.9     |
| 9 | Professional, scientific and technical   | 3.6  | -1.9   | 1.4     | -3.5     | 13.7   | 5.3    | 4.3     | -0.6     |

|    |   |      |      |       |      |      |      |       |      |
|----|---|------|------|-------|------|------|------|-------|------|
|    | activities;<br>administrative<br>and support<br>service<br>activities   |      |      |       |      |      |      |       |      |
| 10 | Public<br>administratio<br>n and defense;<br>compulsory<br>social<br>security;<br>education;<br>human health<br>and social<br>work activities | 0.2  | 1.4  | 0.8   | 0.3  | 0.6  | 2.4  | 3.3   | 2.8  |
| 11 | Arts,<br>entertainment<br>and<br>recreation,<br>repair of<br>households<br>goods and<br>other services  | -0.7 | -1.3 | -4.8  | -0.9 | -0.4 | -0.9 | -10.2 | -7.6 |
| 12 | Adjustments   | -1.8 | -1.8 | -5.3  | 2.6  | 3.4  | -1.8 | -8.7  | -6.3 |
| 13 | Gross<br>Domestic<br>Product  | 0.6  | 0.4  | -10.1 | 4.3  | 3.1  | 2.3  | -8.6  | -5.2 |

A recovery is underway, but its path remains uncertain, particularly given the current large rise in COVID-19 infections. The second wave of rapid spread of COVID-19 and the new phase of the restrictive measures are once again challenging a number of economic sectors.

The first COVID-19 outbreak was smaller in Bulgaria than in many countries and the economy less severely impacted by confinement measures than expected in the first half of 2020. An economic contraction of 4.1% is expected in 2020 to be followed by a recovery, with growth of 3.3% in 2021 and 3.7% in 2022, driven by rising domestic demand and a moderate rebound in exports. Fiscal support for households and firms and high public investment are central to the strength of the recovery. Private investment will remain subdued given substantial uncertainty. Low public debt and high fiscal reserves, together with EU financial resources, will allow the government to sustain and expand its fiscal assistance. The government's wage subsidy scheme will hopefully keep unemployment down, and rises in public wages and social benefits in 2021 will provide a boost to household incomes. With effective planning and implementation, the large EU-funded public investment program has the ability to increase potential growth.

## **A summary of 2020 key economic affairs in Croatia**

**Valentino Petrović**

*Summary: This paper will summarize the economic affairs in Croatia during 2020 that started with optimistic predictions about the rise of country's GDP and other economic indicators. However, the COVID-19 pandemic and March earthquake that hit Croatian capital and some surrounding areas revealed that the economic damage will be severe. The Government introduced economic measures that were supposed to enable private businesses and small and medium enterprises to work properly during the crisis, but the situation worsened with the spring lockdown and second wave of pandemic when Croatia became one of the most affected European countries as the number of infected people skyrocketed.*

### **Introduction**

During this year the economic circumstances in Croatia were shaped by political and social occurrences perhaps more than ever before. Of course, the economic landscape is always dependent on everything that has happened in political sphere, such as decision-making in public sphere that transfers onto the private sector. But this year the relations between these two were brought to a new level due to the COVID-19 crisis that provoked the Government, led-by Prime Minister Andrej Plenković, to intervene a couple of times with several consecutive sets of economic measures to ensure that the businesses were to remain safe. Furthermore, this year was the “election year” in Croatia: January marked the runoff of presidential race, while early July was designated for parliamentary elections. In between, we had the intra-party elections in both major parties, Croatian Democratic Union (HDZ) and Social Democratic Party (SDP). The unwritten rule is that during the election year, the ruling party is not



supposed to introduce any reforms since they often require financial shifts or significant wage cutting. In Croatia, however, there are a couple of reforms that are much needed, but the one we probably hear the most is the public sector reform which would include the large cuts in staff and personnel employed in public offices. Because of parliamentary elections and COVID-19 outbreak it was hard to expect that any such reform could actually be implemented.

## **The Government's Reaction**

### **During the First Wave of COVID-19**

At the beginning of the year, prior to coronavirus pandemic, it was reported that Croatia will continue its economic growth that started in late 2015 and early 2016. At the same time, the Government was quite optimistic about the flow of capital from European funds that Croatia still had to use from the previous Multiannual Financial Framework due to N+3 strategy at member states' disposal. However, when the coronavirus struck Croatia and the lockdown eventually became a reality, everything that was seen as positive in recent years soon had to be forgotten. The Government presented its first set of economic measures on March 24<sup>th</sup>, but the plan was instantly met with harsh reaction from private sector and economic experts who claimed that it was merely a temporary solution to wider problems. Thus, the Government soon adopted the second set which included higher minimum net wages and possibilities for companies to be released from some tax obligations if their businesses were severely hit by negative trends. These measures were seen as a positive step forward even though there was a long list of entrepreneurs which sought for more concrete actions by the Government. However, the economic situation was additionally complicated by the earthquake that hit Croatian capital and caused large damage worth almost €1.7 billion by some calculations. When the first wave of the pandemic slowed down and health situation was stabilized, all efforts were shifted towards the goal of achieving a successful tourist season. Some would say that Croatia has been living

according to this standard for quite long and it was a matter of time when summer season would not deliver.

### **The Results of Tourist Season**

To everyone's surprise, tourist season showed up some good results, even though the overall score is far behind the previous years. In November, the Ministry of Tourism and Sports announced that Croatia has registered 6.8 million tourists in the first eight months of the year, with overall of 47.5 million of overnight stays. If we calculate those numbers in percentages, we find out that 2020 reflects 41% when referring to tourist visits comparing to 2019, and 53% of overnight stays. Furthermore, 84% of 47.5 million overnight stays were registered in July and August which is 38% less than in the same months last year. If we look at the number of guests during July and August it is clear that there is a decline of 46% comparing to the last year's numbers. The Minister of Tourism and Sports, Nikolina Brnjac, who was appointed to this duty by Andrej Plenković after HDZ won the July parliamentary elections, said that the tourist sector was very well prepared for the season and that the Government made the right call when the economic measures were introduced earlier this year. She also welcomed the Government's decision to open borders for foreign guests during the summer months. With a benefit of hindsight, we could argue that both tourists and domestic population were a little bit too relaxed given the fact that the numbers of COVID-19 infected people rose soon after the end of season.

### **The European Funds for Next 10 Years**

Another important aspect of Croatian economy in 2020 was the long-awaited European Council summit that gathered European leaders to discuss the Multiannual Financial Framework for 2021-2027 perspective as well as the Next Generation EU fund created to help the member states in economic recovery during and after the financial crisis caused by coronavirus. The negotiations were long and there was a clear division

between “the friends of cohesion” and “frugal four” member states with their different political, economic and social understanding of the budget and the Next Generation fund. Croatian position during the whole process was clear: Andrej Plenković managed to negotiate €12.7 billion from the Multiannual Financial Framework and €9.4 billion from the Next Generation EU fund. In addition, it is expected that Croatia will receive €400 million due to the fact that it has participated in only one financial framework since its accession to the European Union. If we take into account the N+3 rule, Croatia will have the opportunity to withdraw European money until 2030.

### **The National Development Strategy and Conclusion**

Nonetheless, Croatia still has to take €6 billion from previous financial framework, which means that overall number could reach almost €28 billion (12.7+9.4+6). However, there is a catch in this whole process. If member states want to use the European money, they first have to adopt the strategic document that will comprise of goals and procedures that specific country aims to achieve and establish in the next decade. This document has to be communicated with the European Union to showcase how the European money will be used and for what purposes. Andrej Plenković presented the Croatian National Development Strategy 2030 on 12<sup>th</sup> November which encompasses national priorities as well as European agenda regarding the European Green Deal, the recovery plan and territorial agenda 2030. A few days prior to writing of this text, President Zoran Milanović and his economic adviser Velibor Mačkić held a press conference to discuss the document. Milanović argued that it is unfortunate that members of opposition have not participated in the creation of Strategy, even though he was the one who urged the Prime Minister to include a variety of experts and other parliamentary parties in this process. Mačkić said that the document is well-written but too general, meaning that it does not provide some concrete measures on how to approach certain problems. He also questioned the primary role of public sector. Finally, we could only appreciate the membership in the European Union as it is now

evident that without European funds, Croatia would be far away from any kind of economic recovery.

# **The Czech economy in 2020: slump & recovery**

**Ladislav Zemánek**

***Summary:** The Czech economy was affected significantly by the novel coronavirus crisis which started in March. In this briefing, I analyse chosen macroeconomic indicators, comparing the pre-crisis and crisis predictions, thus demonstrating a substantial change occurred during the year. I then go on to focus on the economic freedom and innovation dynamics of the national economy, pointing to the fact our country joined the group of the global innovation leaders in 2020.*

## **Macroeconomic perspective**

The pre-crisis period of this year was characterised by general slowing down of the economy, this tendency being expected to continue in 2020. At the same time, the economic performance was supported by increasing consumption of both households and the public sector. The high level of consumption together with strong demand on the market related to the dynamics of development of salaries, social security benefits or pensions, very low unemployment rate and stable economic prospects. The considerable rise of the citizens' incomes had an impact on the inflation which was higher in comparison with the goals set by the central bank (Czech National Bank, CNB) amounting to 2 per cent. Investment in the case of private companies as well as the public sector was stagnating, the rise of investment to the fixed capital hardly exceeding 1 per cent. The opposite applied to households which invested an increasing amount of their financial means, especially in the real estates. Not by coincidence, inflation was very high in the sector of real estates.

In this segment of the market, there was extremely strong excess demand accompanied by the impossibility of developers to build new flats

and houses quickly as a consequence of unfavourable, ossified and inflexible legislation, hindering a positive development. In a comparative view, the increase in the real estate prices belonged to the most significant in the European Union reaching up to 10 per cent year-on-year which made the flats and houses inaccessible for a great part of the Czech society. The inflation was high primarily in the case of food, alcohol, tobacco, electricity, gas and other sources of energy, being caused also by the rise in the consumption tax. Even though a decrease in inflation was expected at the beginning of the year, the opposite was true as shown by the following table:

|     | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 0  | 1  | 2  |
|-----|----|----|----|----|----|----|----|----|----|----|----|----|
| 018 | .2 | .8 | .7 | .9 | .2 | .6 | .3 | .5 | .3 | .2 | .0 | .0 |
| 019 | .5 | .7 | .0 | .8 | .9 | .7 | .9 | .9 | .7 | .7 | .1 | .2 |
| 020 | .6 | .7 | .4 | .2 | .9 | .3 | .4 | .3 | .2 | .9 | .7 |    |

*Source: Czech Statistical Office*

This summary demonstrates that the inflation rate fluctuated around 2 per cent in 2018 (e.g. the present inflation goal defined by the CNB) but it started to rise in 2019, this trend being especially noticeable in the pre-crisis period of 2020. Notwithstanding the crisis and prevailing expectations, inflation decreased only slightly. Another conspicuous phenomenon of the Czech economy is low unemployment which was the lowest among the EU countries. Although the low unemployment can be considered positive, it is connected with a labour shortage which is a principal cause of the impossibility of the extensive rise in production. The fact of the shortage was not changed by the crisis. It led to a decrease in job

vacancies but also a drop in the labour force available so no shift happened in this regard.<sup>28</sup>

### **Unprecedented shift**

Albeit the coronavirus crisis brought about no change in the shortage of labour force and low unemployment, it overturned all predictions regarding the GDP development and other main macroeconomic indicators. Whereas the January macroeconomic forecast elaborated by the Ministry of Finance expected a rise of 2.0 per cent, in the following months the economy plummeted dramatically – by 11.0 per cent in the second quarter, being the worst result in the history of the Czech Republic (a slump of the GDP in the euro area was -14.7 in the same period). The official forecast as to the GDP decrease over the whole year equals to -6.6 per cent according to the latest data released by the department. The following table summarises the dramatic difference between the pre-crisis and crisis period regarding a forecast of some main macroeconomic indicators. Presenting these figures I do not endeavour to speculate about the real results achieved in this year<sup>29</sup> but only to highlight the striking, unprecedented shift provoked by the epidemic and related anti-crisis measures. In addition, the expected figures for the next year are utterly uncertain given the unknown further development of the epidemic and political as well as economic responses to it, a level of flexibility of the labour market, transformations of the global production chains or labour productivity.<sup>30</sup>

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<sup>28</sup> For greater detail compare with the Macroeconomic Forecast published by the Ministry of Finance in January at <https://www.mfcr.cz/assets/en/media/Macroeconomic-Forecast-January-2020.pdf>.

<sup>29</sup> The official hard data are valid solely for 2019.

<sup>30</sup> A specific aspect of the latter is connected with psychological impacts on individuals, their financial behaviour and – last but not least – work ethic. I inquire into this complex problematics repeatedly in separate briefings. See <https://china-cee.eu/2020/06/25/czech-republic-social-briefing-social-outlook-for-the-post-crisis-period/> or <https://china-cee.eu/2020/09/28/czech-republic-social-briefing-the-coronavirus-crisis-and-financial-behaviour-changes-and-tendencies/>.

|                                 |                         | 2019 | 2020             | 2020               | 2021             | 2021               |
|---------------------------------|-------------------------|------|------------------|--------------------|------------------|--------------------|
|                                 |                         |      | January forecast | September forecast | January forecast | September forecast |
| <b>Nominal GDP</b>              | <i>Billion CZK</i>      | 749  | <b>5913</b>      | 5561               | <b>6158</b>      | 5860               |
|                                 | <i>Growth in %</i>      | 6.3  | <b>4.6</b>       | -3.3               | <b>4.3</b>       | 5.4                |
| <b>GDP</b>                      | <i>Real growth in %</i> | 2.3  | <b>2.0</b>       | -6.6               | <b>2.2</b>       | 3.9                |
| <b>Average inflation rate</b>   | <i>In %</i>             | 2.8  | <b>2.8</b>       | 3.2                | <b>2.2</b>       | 1.9                |
| <b>Unemployment rate</b>        | <i>Average in %</i>     | 2.0  | <b>2.2</b>       | 2.6                | <b>2.4</b>       | 3.4                |
| <b>Exchange rate CZK/EUR</b>    |                         | 25.7 | <b>25.4</b>      | 26.3               | <b>25.1</b>      | 25.8               |
| <b>Long-term interest rates</b> | <i>In % p.a.</i>        | 1.5  | <b>1.4</b>       | 1.1                | <b>1.4</b>       | 0.9                |
| <b>GDP in the euro area</b>     | <i>Real growth in %</i> | 1.3  | <b>1.0</b>       | -9.0               | <b>1.4</b>       | 5.4                |

Source: Ministry of Finance of the Czech Republic

Besides the economic recession expressed by the GDP indicator, a considerable decline of the external trade was a characteristic feature. In terms of the external trade, the most significant was the drop in the exports of goods and services exceeding 20 per cent, caused by interruptions in the existing supply chains, weak demand from key trading partners as well as



an overall decrease in export performance. In view of the fact that the economy in general and chosen industries and branches in particular were restricted or suspended for a substantial part of the year, it is not surprising that a steep fall took place in the household consumption. The reasons can be seen not only in a decrease in the real salaries but also in the impossibility to make use of services and purchase certain types of goods.<sup>31</sup>

### **Economic freedom and innovations**

From the point of view of long-term development of the Czech economy, substantial challenges are as follows: adaptability of the economic system in connection with the digital transformation and Industry 4.0, handling massive social impacts of the latter, reform of the pension system and managing the ageing of the population, orientation on innovation and development of disruptive models. Such a progressive shift has to be supported by the political elites and accompanied by modernisation of the state administration. The question is how the country will be able to cope with the consequences of the present crisis and which way will be chosen by the Government. The increasingly expanding state bodies and fast increase in indebtedness may undermine the progressive transformation, conserving the current structures, leading to stagnation and marginal position. Deterioration in terms of the size of government is confirmed by the 2020 Annual Report “Economic Freedom of the World”, elaborated by the Fraser Institute, one of the leading think tanks worldwide, and published in September this year.<sup>32</sup> Moreover, this assessment has not taken into consideration the aftermaths of the coronavirus epidemic on the Czech economy which will likely to deepen the negative tendency. Nevertheless, the overall position is slightly positive. The Czech Republic

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<sup>31</sup> For greater detail compare with the Macroeconomic Forecast published by the Ministry of Finance in September at <https://www.mfcr.cz/assets/en/media/Macroeconomic-Forecast-September-2020.pdf>.

<sup>32</sup> See the full publication at <https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2020.pdf>.

occupies the 25<sup>th</sup> position out of 162 in the Economic Freedom of the World Index, falling by 3 places in comparison with the 2019 Report, yet, the absolute rating of the economic freedom is better than in the past.<sup>33</sup> The Index is composed of five indicators – the abovementioned size of government, legal system and property rights, sound money, freedom to trade internationally and regulations (credit market, labour market and business regulations). Our country occupied the 77<sup>th</sup>, 29<sup>th</sup>, 73<sup>rd</sup>, 29<sup>th</sup> and 16<sup>th</sup> place respectively in 2020.

Progress reached in the field of innovations was reflected in the Global Innovation Index (GII) published by the Cornell University and the World Intellectual Property Organisation under the UN.<sup>34</sup> In 2020, the Czech Republic ranked 24<sup>th</sup> out of 131 economies. The best results were achieved in knowledge and technological outputs, creative outputs, infrastructure and business sophistication. Furthermore, our country is the best in foreign-funded research and development worldwide in the field of innovation links. Comparing the results with the European countries, it performed above average in five out of seven GII pillars while below average in the case of human capital and research, and market sophistication. It seems therefore that an emphasis put on innovations, research and development by the Government has started to bear fruits.

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<sup>33</sup> According to the Report, Hong Kong Special Administrative Region of the People's Republic of China is the economically freest place globally, being followed by Singapore, New Zealand, Switzerland and Australia.

<sup>34</sup> The full text available at

[https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_gii\\_2020.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020.pdf).

## Wrapping the year up: in search for a productive economic reform

E-MAP Foundation MTÜ

### Estonia

When your country's economy is reasonably small but, to an extent, diverse, even a major crisis would not seem to be too problematic. Another story is when the pandemic substitutes 'a major crisis' – then there may be a dual problem of analysing the present and forecasting the future. In one of his main interviews (if not the main one), which was supposed to be wrapping the difficult year up, Estonian Prime Minister Jüri Ratas was into memorable metaphors when it would come to pure politics, but distinctly shy when a question was on economics<sup>35</sup>. During 2020, in political terms, the country was getting involved into discussing way more *intra*-political scandals than it would have been necessary to test the 'health' of a democracy.

As for the process of running the economy, apart from borrowing more to survive the pandemic, the only major economic reform that the current governmental coalition managed to 'squeeze' through the 'hurdles' of the *Riigikogu*'s passing and the presidential approval was the so-called second pillar pension reform. The idea of the Government was to respond to a particular societal call that was, in a way, 'inspired' by *Pro Patria* and some other proponents of the prospective reform. In 2019, a poll showed that about 215,000 people would be willing to withdraw their money from the second pillar of the country's pensions fund, keeping in mind that membership in the pillar was made to be mandatory from 2010 and for most

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<sup>35</sup> Jüri Ratas in Nele Kullerkupp, 'Jüri Ratas: I'm the prime minister and I dance to the republic's tune', *Postimees*, 21 December 2020. Available from [<https://news.postimees.ee/7138492/juri-ratas-i-m-the-prime-minister-and-i-dance-to-the-republic-s-tune>].

wage earners<sup>36</sup>. As reported, by the end of 2020, about 12,000 people have already applied to take their second pillar-associated savings<sup>37</sup>, and it will lead to a substantial injection of financial resources back into the spending segment of the economy during the year. Objectively, this is pretty much it on economic reforms in Estonia during 2020.

The *macro*-economic data for the outgoing year, which was literally ruined by the COVID-19 in many senses, is still very raw and, in most of the cases, preliminary. Only in December 2020, the final digits for 2019 came through in all sorts of analytical details. For example, in the pre-pandemic year, the country's GDP at current prices was EUR 28 billion euros, with Tallinn, the capital city, contributing EUR 15 billion to the total figure<sup>38</sup>. This economic disbalance between Tallinn (and Harju county where the capital city is situated) and the rest of the country has been proven in the per capita cluster of the data as well – the last year's GDP per capita was EUR 21,186 euros (EUR 1,566 more than in 2018), but the Harju county-associated figure is 43 per cent higher than the Estonian average<sup>39</sup> (for details, see *Figure 1* 'GDP per capita, change in 2019 compared to 2015 (per cent)' and *Map 1* 'GDP per capita by region, 2019').

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<sup>36</sup> 'Paper: 12,000 people applied to opt-out of pensions second pillar so far' in *ERR*, 5 January 2021. Available from [<https://news.err.ee/1228252/paper-12-000-people-applied-to-opt-out-of-pensions-second-pillar-so-far>].

<sup>37</sup> 'Paper: 12,000 people applied to opt-out of pensions second pillar so far'.

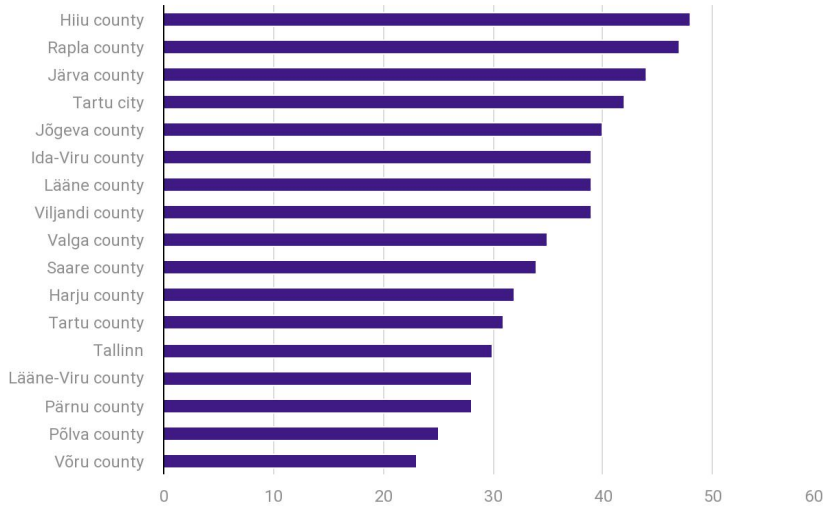
<sup>38</sup> 'The main driver of economic growth in 2019 was the service sector in Harju county' in *Statistics Estonia*, 14 December 2020. Available from [<https://www.stat.ee/en/node/4557>].

<sup>39</sup> 'The main driver of economic growth in 2019 was the service sector in Harju county'.

# Figure 1

GDP per capita, change in 2019 compared to 2015 (%)

Source: Statistics Estonia

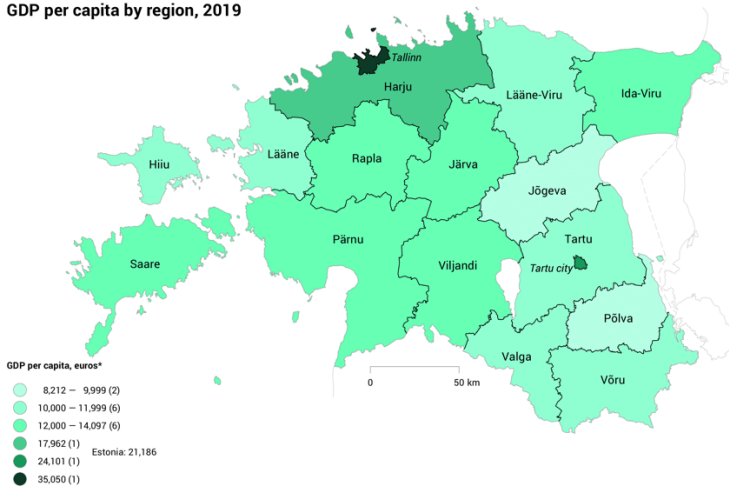


● GDP change compared to 2015

\*The data for Harju and Tartu counties are shown excluding the cities of Tallinn and Tartu

# Map 1

GDP per capita by region, 2019



\*The data for Harju and Tartu counties are shown excluding the cities of Tallinn and Tartu

Source: Statistics Estonia

Objectively, the Tallinn-bound higher prices for accommodation as well as higher salaries that are fuelled by a fair share of job accessibility are constantly colliding with the data on the same indicators but taken elsewhere in Estonia (especially, in the eastern fringe of the country, except perhaps, Ida-Viru where industrial concentration makes this county very special for the economy). The ‘almost everything here vs. almost nothing over there’ situation is leading to a relatively high number of people who live at risk of poverty – currently, the 2019-analysed data shows that 20.7 per cent of Estonian residents contribute to the ‘at-risk-of-poverty’ rate, while 39.7 per cent are ‘at-risk-of-poverty’ before social transfers, including pensions<sup>40</sup>. At the same time, there are some positively intriguing signs that might be suggesting about a very particular level of resilience that the country’s economy is featured by. Let us take the issue of unemployment, for example.

In 2019, the share of unemployed persons in the economically active population was 4.4 per cent<sup>41</sup>. Arguably, this remarkable result truly helped Estonia to end the third quarter of 2020 at 7.7 per cent, almost never being at risk to have the employment rate to be plummeting into something that the country had been experiencing a decade ago (in 2010, Estonia’s unemployment rate was 16.7 per cent)<sup>42</sup>. Correspondingly, *Figures 2* and *3* show ‘Unemployment rate by region, 2019’ and ‘Males and females unemployment rate, 2007-2019’.

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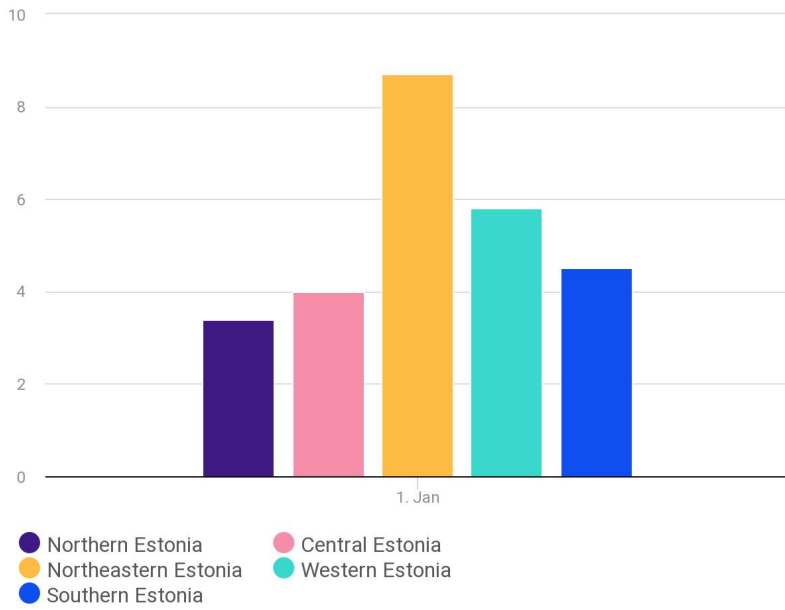
<sup>40</sup> ‘At-risk-of-poverty rate’ in *Statistics Estonia*. Available from [<https://www.stat.ee/en/find-statistics/statistics-theme/well-being/social-exclusion-and-poverty/risk-poverty-rate>].

<sup>41</sup> ‘Unemployment rate’ in *Statistics Estonia*. Available from [<https://www.stat.ee/en/find-statistics/statistics-theme/work-life/labour-market/unemployment-rate>].

<sup>42</sup> ‘Unemployment rate’.

## Figure 2

### Unemployment rate by region | 2019 - 2019



## Figure 3

Males and females unemployment rate, 2007-2019 | 2007 - 2019



As a significant contributor to the economy’s good health, a favourable ‘export vs. import’ ratio has also a boosting psychological effect. In December 2020, the data came to wrap up the third quarter, and, if compared to October 2019, the exports of Estonian goods increased by 10 per cent, while imports showed a 5 per cent decrease<sup>43</sup>. A report quoted Evelin Puura, leading analyst at Statistics Estonia, who noted that the exports exceeded the imports for the second month in a row:

The goods of Estonian origin accounted for three quarters of the total exports, and their dispatches increased by 21 per cent year on year. The growth was driven to a large extent by the exports of communication equipment, processed heavy fuel oils, shale oil and wheat of Estonian origin.<sup>44</sup>

Top destinations wise, Estonia sends its goods predominantly to Finland, the United States (the figures went up 2.4 times if compared to

<sup>43</sup> ‘Exports exceeded imports for the second month in a row’ in *Statistics Estonia*, 10 December 2020. Available from [<https://www.stat.ee/en/node/4526>].

<sup>44</sup> Evelin Puura as cited in ‘Exports exceeded imports for the second month in a row’.



2019), and Sweden; as for the process of importing the needed goods, the main countries of consignment were Finland, Germany, and Latvia. Intriguingly, “[t]he imports of goods increased the most from China on account of the import of electrical equipment”<sup>45</sup>. *Figure 4* outlines the foreign trade-related digits in Estonia as recorded in the period from 2018 until the end of the third quarter in 2020, showing that the pandemic was not an obstacle for the country’s export to surpass the import.

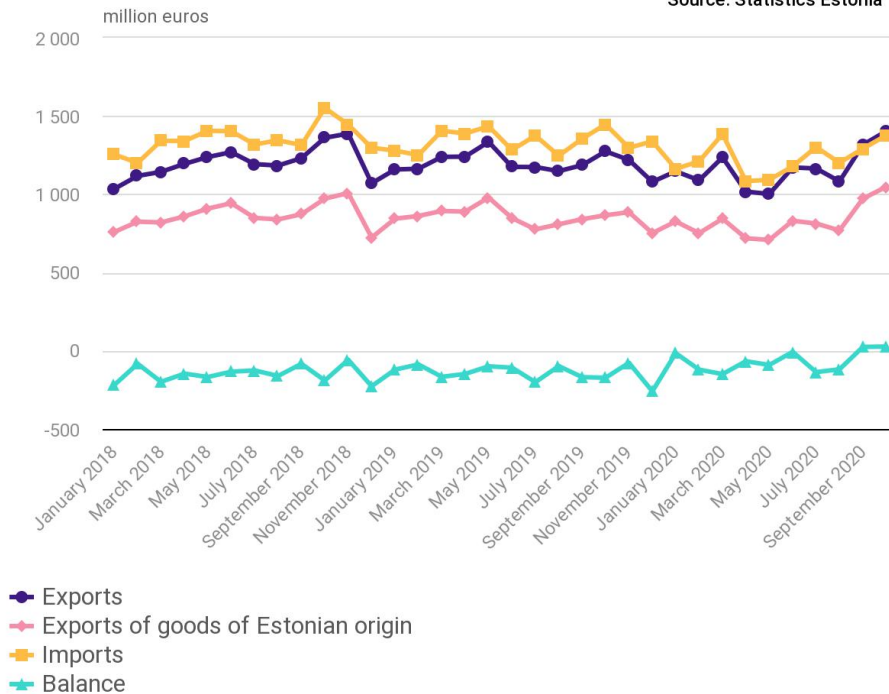
#### **Figure 4**

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<sup>45</sup> ‘Exports exceeded imports for the second month in a row’.

## Estonia's foreign trade by month, 2018–2020

Source: Statistics Estonia



Finally, as the Bank of Estonia reported, the country's household savings totalled EUR 10.3 billion by the end of November 2020 – this represents a significant increase of EUR 1 billion “over the year despite the coronavirus crisis”<sup>46</sup>. In itself, it is yet another positive signal for the country's economy to recover swiftly after the pandemic is over. At the same time, as suggested by Taavi Raudsaar, an economist at the Bank of Estonia, there are two following factors that led to this remarkable increase in public savings:

The first is that there is increased uncertainty. Due to the uncertainty about the near future, people have reduced their consumption and started to save more. This is common behaviour in most crises. [...]

<sup>46</sup> 'Bank of Estonia: Estonians' savings increased during coronavirus crisis' in *ERR*, 4 January 2021. Available from [<https://news.err.ee/1227223/bank-of-estonia-estonians-savings-increased-during-coronavirus-crisis>].

The second thing in the current crisis is that some services and goods - for example, travel and entertainment – are difficult or impossible to consume at the moment, which means that people have more of their money leftover.<sup>47</sup>

Throughout the year, the Government attempted to respond to the global crises-generated difficulties, imposing all sorts of different measures – from *ad hoc* to a range of relatively focused mechanisms. What was really lacking in the every-day management of the country’s economy – a desire to look after Estonia’s economic development in a strategic manner, making the economy prepared to experience a well-forecasted ‘jump’ when the crisis will be over. A promise of the Prime Minister that “Estonia will [...] be contributing 1 per cent of GDP to R&D in the coming years”<sup>48</sup> is by far not enough to be called a strategy. Therefore, the country enters 2021, still searching for a long-run economic perspective.

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<sup>47</sup> Taavi Raudsaar as cited in ‘Bank of Estonia: Estonians' savings increased during coronavirus crisis’.

<sup>48</sup> Ratas in Kullerkupp.

# The Greek Economy in 2020

George N. Tzogopoulos

*Summary: The Greek national economy has been seriously hit by the COVID-19 pandemic. Although some warning signs had been recorded in January and February 2020, the situation started to dramatically deteriorate after mid-March. Lockdown measures imposed from mid-March until the beginning of May disrupted economic activity. The reopening of the economy for a period of six months, from May until October, offered some relief to Greek businesses. The new lockdown, however, which was enforced in November and December buried recovery hopes, although companies investing on digitalization performed relatively well. Greece counts on aid to be provided by the EU Recovery Fund as well as on low interest rates but is being encountered with tremendous difficulties that are leading to deep recession and an uncontrollable explosion of the budget deficit and public debt. Initial hopes for a robust recovery in 2021 were eliminated due to the continuation of the pandemic throughout the year.*

The COVID-19 pandemic seriously impacted on the Greek national economy in 2020. In the first nine months of the year, for example, recession reached 8.5 percent of GDP while it amounted to 11.7 percent of GDP in the third trimester of the year. However, some trends of the Greek economy had been somehow worrying even before the outbreak of the pandemic. According to the fifth surveillance report that was published in February, general government investment had been 1.1 percent of GDP lower than initially planned while privatizations and financial sector reforms needed to accelerate. Also, recession in the first trimester of 2020 was 0.9 percent of GDP lower in comparison to the same period of 2019

and 1.6 percent lower in comparison to the last trimester of 2019. It is questionable whether lockdown measures, which were imposed in the last fifteen days of March, can alone justify the fall in the growth rhythm.

The sixth, seventh and eight surveillance reports were published during the pandemic, in May, September and November respectively. In particular, the sixth report presents the new dynamics caused by COVID-19, focuses on the impact on tourism and the shipping sector, projects a GDP fall of about 10 percent in 2020 but also asserts that Greece took necessary actions to achieve its due specific reform commitments. The seventh report acknowledges progress on some reforms such investment licensing, energy policy, and public administration but also points to delays on issues such as arrears clearance, public revenue administration, health care and the cadastre project. And the eight report reiterates the appreciation of the creditors for some decisions of the Greek government – despite the difficult circumstances – such as the adaptation of the insolvency code in parliament the completion of the treasury single account system and concludes that Greece has taken the necessary actions to achieve its due specific commitments. It anticipates that the recovery would be slower than previously expected, however.

Beyond technical details about reforms given in enhanced surveillance reports, the COVID-19 pandemic led to a contraction of 14.2 percent in the second quarter of 2020. That is because economic activity was almost completely constrained to stop the spread of the virus. The services sector, which constitute a critical component of the Greek economy, was hit particularly hard also during the summer season due to the importance of tourism. Although the government provided protection schemes to support employees, the pandemic reduced demand for seasonal workers. According to Greek Minister of Tourism Harry Theocharis, tourism managed to generate approximately €4 billion in 2020. Revenues in 2019 had reached €18.5 billion. The missing sum would account for approximately 7.5 percent of Greek GDP. Official data also indicate that the turnover of accommodation businesses in Greece fell 94.3 percent in

the second trimester of 2020 in comparison to the same period last year. The turnover of food service activities witnessed a reduction of 59 percent.

A Grant Thornton study shows that businesses representing 69 percent of the total turnover of Greek businesses were directly affected by the pandemic as a result of limitation or even cessation of their operations. The same study indicates that businesses that generate a turnover of €32.9 billion and employ approximately 1.1 million executives ceased operations. Moreover, data provided by the Hellenic Statistical Authority outline the grim situation in the first nine months of 2020. In particular, the only places or products where sales increased in comparison to the first nine months of 2019 were supermarkets (8.23 percent), personal computers (10.13 percent) and medicines (4 percent). By contrast, a fall was recorded in sales of cars (19.40 percent), clothes (30.12 percent), shoes (29.1 percent), electrical home equipment (5.66 percent), jewelries (47.75 percent), cosmetics (37.41 percent), consumables (19.98 percent), and in sales in butcher shops (0.41 percent), fish markets (10.41 percent), fruit stores (1.46 percent) and bakeries (16.62 percent).

The reopening of the Greek economy from the beginning of May until the end of October offered a temporary relief. Although the turnover was lower in comparison to 2019, this reopening contributed to a partial rewarming. But the governmental relaxation of September and October had as a result that the second wave of the pandemic had not been efficiently prevented. Prime Minister Mitsotakis re-imposed lockdown measures in November and December to stop rising contagions. With the exception of the last two weeks of December, during which the retail sector employed the click-away method, shops remained closed. On the whole, companies which had invested in digitalization, managed to better mitigate economic consequences. Online orders along with the click-away model could not be served or applied by companies lacking relevant preparation or infrastructure. On the contrary, digital companies, for example online platforms serving food orders, not only responded to the new needs but also expanded their business activities.

A poll conducted by the Association of Business and Retail Sales exhibits that the percentage of consumers shopping online was growing in the country. 61 percent among internet users performed online purchases over the two-week period of the survey in December 2020. This marks a 10 percent increase in comparison to the previous survey in June, whereas the rate had stood at 21 percent in 2019. Having said that, e-commerce turnover is expected to triple and total €15 billion in 2020. Another survey conducted by the Institute for SMEs of the Greek Confederation of Commerce and Entrepreneurship on the occasion of Black Friday reveals an asymmetry in the distribution of growth. That is because large retail companies enjoy resources to invest in digitalization while smaller enterprises are encountered with financial difficulties. The same poll demonstrates that enterprises were more willing to invest on digital transformation.

If there is a reason for optimism for the Greek government under current circumstances, this is its ability to access international financial markets with low interest rates. For the first time in history, in November 2020, for instance, the yield of a Greek sovereign bond dropped below zero. Cheap credit can facilitate the recovery effort provided maladministration habits, which led to the outbreak of the Greek crisis in 2009 were not revived. More importantly, Greece counts on financial support from the EU Recovery Fund that was specially designed as Europe's response to the coronavirus crisis. In July 2020, Mitsotakis said that the total amount that Greece would be called upon to manage, would reach €72 billion, including sums from the Recovery Fund and the Multiannual Financial Framework.

The financial situation of Greece remains, of course, delicate. According to data provided by the Bank of Greece, the budget deficit amounted to €24.1 billion in 2020 while it had been 477 million in 2019. This dramatic increase has been caused by extraordinary relief measures taken by the government during the pandemic and the reduction of taxation revenues. Revenues fell to €42.3 billion in 2020 (from €51.1 in 2019) and expenditure expenses rose to 62.9 billion (from €51.5 in 2019). The Greek debt will thus vacillate from 204 percent to 206 percent of GDP. In 2020

Greece issued sovereign bonds worth of circa €12 billion (according to November data).

### **Conclusion**

One decade after the beginning of the debt crisis, Greece has to cope with the economic consequences of the COVID-19 pandemic. Lockdown measures imposed by the government to stop the spread of the virus have almost frozen economic activities for months. The fall in the arrival of tourists during the summer season damaged the service sector of the economy which relied on reduced domestic and international demand. The government provided some economic assistance to affected citizens and businesses but recovery hopes remain minimal. In the interim, the Greek budget deficit and the debt are rising to worrying levels. Throughout 2020 only supermarkets and pharmacies witnessed an increase in their profits. The pandemic has also revealed the potential of e-commerce in Greece which has been boosted due to unprecedented circumstances and the inability of citizens to proceed to physical shopping. Companies relying on digital quality and innovation have managed to better mitigate the impact of COVID-19, although the gap between SMEs and bigger enterprises became evident amid high online completion.



# Hungarian Economy in 2020

Csaba Moldicz

*Summary: Apart from the first three months of the year, the development of the Hungarian economy has been severely affected by the global pandemic. The global economy is expected to shrink by 4.4 percent, while the advanced economies have been forecasted to slow down by 5.8 percent according to the World Economic Outlook of the International Monetary Fund. Even Hungary's most important trade and investment partner, the German GDP, is expected to decline by 6.0 percent according to the same report. The Hungarian economy is less exposed to the external economic shock this time compared to 2008-2009, but this reduced vulnerability is due to the more self-sustaining financing of the economy, lower debt level and a more solid debt structure. At the same time, the deep integration in terms of trade and investment has not changed significantly, so the significant decline in Hungarian GDP cannot be avoided. This briefing looks at the development of the main indicators of the Hungarian economy over the course of this year and puts the Hungarian development in a European context.*

## 1. The main economic indicators in 2020

Gross Domestic Product (GDP) shrank by 4.6 percent in the third quarter of 2020 compared to the corresponding period in 2019. The penultimate quarter of the year showed a strong recovery as economic activity increased by 11.4 percent compared to the previous quarter of the same year. We must not overlook the link between the lifting of restrictions on economic activities and the recovery of the economy, which is the reason why the new dip in the Hungarian economy in the last quarter can be easily predicted. Looking at the performance of the sector in comparison to the corresponding period in 2019, the new slump of the Hungarian economy in the last quarter will occur in the areas of

- construction,
- transportation and storage,
- accommodation and food service activities,
- professional, scientific, technical, and administrative activities and
- arts, entertainment, and other services

We predict, since these in areas are where shrinkage has been greater than the national average. At the other end of the spectrum were information and communications, finance and insurance, health and social services, as their output in 2019 was higher than in the corresponding quarter. Although the decline in output in the services sector was slightly higher than the average for the economy, one-third of the GDP decline came from this sector, due to its relative size in GDP (2.2 percentage points), while construction accounted for 1.0 percentage point and industry for 0.4 percentage points of the 4.6 per cent fall in GDP.

|  |  |      |
|--|--|------|
| Production approach                          |  |      |
|  | Agriculture and fishing                | -0.2 |
|  | Services                               | -2.2 |
|  | Industry                               | -0.4 |
|  | Net taxes on production                | -0.8 |
|  | Construction                           | -1.0 |
| Expenditure approach                         |  |      |
|  | Gross capital formation                | -2.8 |
|  | Final consumption                      | -1.7 |
|  | External balance of goods and services | -0.1 |
| Source: Hungarian Central Statistical Office |  |      |

As far as the expenditure approach is concerned, we have seen over the course of the year that gross capital formation fell by 13.7 percent in

the third quarter of 2020. This is the area that has suffered the most due to the economic crisis. Actual final consumption fell by 2.5 percent, which is a much smaller decline than investment. Looking at the two elements of final consumption, it can be observed that the actual final consumption of the government (-4.8 percent) decreased more than the actual final consumption of households (-2.2) compared to the same period of the previous year.

Against this background, it should come as no surprise that investment suffered in the first three quarters of the year, and no improvement is expected in the fourth quarter. Compared to the previous quarter, the investment volume in the third quarter fell by 2.1 percent, while the decline compared to the same period of the previous year was 12 percent. The decline was seen in most sub-sectors, with the exception of healthcare, where investments doubled over the same period. Moderate growth was also observed in other, relatively less important sectors such as trade (6.3 percent), information, communication (3.4 percent), public administration (2.1 percent). Small and medium-sized Hungarian private companies fared relatively better in terms of investment, as the sharp decline in investment that we attribute to foreign-owned and state-owned companies weakened. This trend also underlines the importance of domestic manufacturing and other enterprises in the services sector.

The export and import of goods declined in the first ten months of the year. Exports fell by 1.5 percent compared to the corresponding period in 2019, while imports of goods shrank by 6.8 percent in € terms. As a result of the difference between the decline in exports and imports, the balance of trade surplus in goods improved to € 4.56 billion. The trade surplus amounted to € 3.90 billion in January-October 2019. The trend of the decreasing trade surplus reversed, but it was due to falling domestic demand rather than the improvement in the competitiveness of the Hungarian economy. Comparing the trade data for the first ten months with the corresponding period of the previous year, the picture is less rosy, with exports down by 7 percent and imports by 8 percent.

The trends in trade in services were similar, but the impact of Covid-19 was more profound. In the third quarter, exports of services fell by 33 percent, while imports of services contracted by 31 percent. The surplus in this balance sheet amounted to € 1.6 billion, but this is € 0.9 billion less than in the previous year. The slump can be explained by the decline in tourism which accounts for 50 percent of the decrease in the surplus. Nevertheless, business services account for 47 percent (3rd quarter 2020) of total services exports.

| Table 2  |     |
|--|-----|
| Annual consumer prices in 2020                                     |     |
| (percent compared to the corresponding month of the previous year) |     |
| January  | 4.7 |
| February   | 4.4 |
| March  | 3.9 |
| April  | 2.4 |
| May  | 2.2 |
| June   | 2.9 |
| July   | 3.8 |
| August   | 3.9 |
| September  | 3.4 |
| October  | 3.0 |
| November   | 2.7 |
| Source: Hungarian Central Statistical Bureau                       |     |

Prices soared during the course of the year. Food prices (6.2 percent) and prices for alcohol, beverages and tobacco (6.4 percent) rose above the average for the economy, which increase was by 2.7 percent in 12 months compared to November 2019. Looking at the inflation trend, it is clear that the falling demand during the first wave of the pandemic dampened inflation rates and they rose again after the lifting of restrictions on the

economy. The second slowdown in the annual inflation rate can be explained in a similar way. It is clear that in both cases it took a while until the effect of the relaxation of restrictions could be reflected in the figures. The positive effect of falling demand is that the Hungarian Central Bank (MNB) does not need to focus on fighting inflation at the moment. For the same reason, the MNB was able to lower interest rates twice during the year. At the end of May the interest rate was lowered from 0.90 percent to 0.75 percent and in June to 0.60 percent. In addition to securing liquidity, the central bank also focused on facilitating new loans to companies. The Funding for Growth Scheme - originally launched in 2019 with a ceiling of 1.000 Billion HUF – was extended by 1.000 Billion HUF in November as the loans issued exceeded the original ceiling of the financing program.

Given the global economic environment and the direct impact of the pandemic on the Hungarian economy, the rising budget should not come as a surprise. The cumulative net government borrowing was 1,218 Billion HUF, while the government budget showed a surplus in the corresponding period of the previous year. However, on the positive side it should be noted that the deficit soared due to government expenditure (12.6 percent) and not due to a significant drop in revenues. Revenues remained fairly stable, with the revenue decline amounting to only 1.4 Billion HUF.

### **3. Summary**

The Covid 19 pandemic affected the Hungarian economy at all levels. The timing of the restrictions on economic activities coincided with the timing of the restrictions on the day to day life of citizens. It is expected that the decline in GDP will be between 6 and 7 percent, which is basically very close to the contraction of GDP that the Hungarian economy suffered in the wake of the Global Financial Crisis (2008-2009). However, the resilience of the economy is better, as the initial level of debt was lower before the outbreak of the global pandemic and other financial indicators ensured a smoother economic landing than in 2008-2009. In our understanding, the changed debt characteristics (such as the abolition of

foreign currency loans) allowed monetary policy to lower interest rates in 2020 and also to respond to the crisis with several other instruments. Just as a reminder, about a month after the collapse of Lehman Brothers in 2008, the central bank was forced to raise the interest rate from 8.50 percent to 11.50 percent in order to secure debt financing. Raising interest rates during the collapse of the economy is the opposite of what should have been done, and now that the decision-makers of the Hungarian economic policy are aware of this, they should be able to do the right thing.

# Key economic indicators changing during the Covid-19 crisis

Nina Linde

## Introduction

Latvian economy in 2020 has faced significant difficulties due to Covid-19 crisis. However, due to governmental support measures and conscious behaviour of society the consequences are less than they could be. In this briefing the main outcomes of this year are analysed and compared to the previous year and situation in Europe in general. Key indicators of economic development, which are considered and analysed are the following:

1. Gross domestic product rate (GDP);
2. Wages and salaries level;
3. Expenditure approach;
4. Unemployment rate;
5. Business environment situation.

### 1. GDP changes in 2020

Data compiled by the Central Statistical Bureau (CSB) shows that in the 3<sup>rd</sup> quarter of 2020, compared to the 3<sup>rd</sup> quarter of 2019, gross domestic product (GDP) decreased by 2.6 %.<sup>49</sup> Over the nine months of 2020 GDP has reduced by 4.3%. GDP decrease in Latvia corresponds to the GDP fall

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<sup>49</sup> Central Statistical Bureau of Latvia (30.11.2020) In the 3rd quarter, GDP has dropped by 2.6 %. Press Release, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/economy/gdp/search-in-theme/2776-changes-gdp-3rd-quarter-2020>

in Europe as compared with the same quarter of the previous year, GDP decreased by 4.3% in the EU in the third quarter of 2020.<sup>50</sup>

The most affected by Covid-19 sector is transport and storage sector, compared to the 3<sup>rd</sup> quarter of the previous year passenger traffic fell by 57,6% this year, which has already strong negative influence on the sector in Latvia. Other sectors which were severely affected by Covid-19 are accommodation (drop in provision of services by 4.5%) and catering (fall of 22.6%), financial and insurance activities (drop by 13.3%), information services provision (decrease by 12.5%). Arts, entertainment and recreation sector was hit the hardest and provision of services there fell by 22.4% against the corresponding period of the previous year.

As a consequence, a lot of staff were cut in order to survive this year, therefore, plethora of people have become unemployed or have been sent on indefinite unpaid leave. At the same time, it was impossible to maintain salaries on the same level as previous year, so enterprises were forced to cut them.

Covid-19 crisis affected every sector in the country not only those ones that have been mentioned above, and the consequences that Latvia is facing now will not end this year, the crisis will be continued not only for Latvia but for the whole world.

## **2. Wages and salaries changes**

The most significant drop in the total wage and salary fund was in the 2nd quarter of 2020 (-3.9% compared to the corresponding period of the previous year). At this period the first wave of Covid-19 hit the country and business, government and general public were paralyzed by the shock and rapid spread of the disease. However, later in the 3rd quarter of the year situation became more stable and there was an increase in the wage and salary fund of Latvia. According to the latest data, in comparison with the

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50 Eurostat (13.11.2020) GDP and employment flash estimates for the third quarter of 2020. Newsrelease euroindicators, available at: <https://ec.europa.eu/eurostat/documents/2995521/10662173/2-13112020-AP-EN.pdf/0ac3f053-f601-091d-ea21-db1ecaca7e8c>



3rd quarter of 2019, in the 3rd quarter of 2020 the average gross wages and salaries for full-time work increased by 5.9% or EUR 64 and comprised EUR 1,147.<sup>51</sup> Also, compared to the 2nd quarter of 2020, in the 3rd quarter of 2020 gross wages and salaries increased by 2.7%. The second wave of Covid-19 hit Latvia in the 4th quarter of the year and there is still no data regarding changes in the level of populations income but it is observed that there is no such a strong reaction from the general public side, and people afraid of the disease significantly less than during the 1st wave. Therefore, due to the stable emotional situation in the country economic indicators will not go down as severely as it was during the 2nd quarter of the 2020.

### **3. Expenditure approach**

Household expenses for final consumption reduced by 7.4% in the 3rd quarter of this year compared to the 3rd quarter of 2019.<sup>52</sup> In comparison with October 2019, in October 2020 the average level of consumer prices was mainly influenced by the fall in prices of goods and services related to housing, goods and services related to transport, and the increase in prices of food and non-alcoholic beverages, goods and services related to recreation and culture, health care, alcoholic beverages and tobacco products, restaurant and hotel services.<sup>53</sup>

Based on the information that in the 3rd quarter restrictive measures against Covid-19 spread were gradually lifted but the consumption still faced decrease, it can be forecasted that the 4th quarter consumption rate

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<sup>51</sup> Central Statistical Bureau of Latvia (01.12.2020) Annual increase of average wages and salaries – 5,9%. Press release, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/wages/search-in-theme/2778-changes-wages-and-salaries-3rd-quarter-2020>

<sup>52</sup> Central Statistical Bureau of Latvia (30.11.2020) In the 3rd quarter, GDP has dropped by 2.6%. Press Release, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/economy/gdp/search-in-theme/2776-changes-gdp-3rd-quarter-2020>

<sup>53</sup> Central Statistical Bureau of Latvia (08.12.2020) The average level of consumer prices reduced by 0.7% over the year. Press Release, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/economy/cpi/search-in-theme/2764-consumer-price-changes-october-2020>

will be even lower, because of the 2nd wave of Covid-19 and repeated implementation of restrictive measures due to this reason.

The two largest groups of expenditure affected by Covid-19 are transport (drop by 10.7%) and recreational and cultural events (catering and accommodation expenditures fell by 31.2%). It is interesting to note that purchase of food products increased by 3.4%, meaning that restrictive measures introduced by government to the food providers such as restaurants and cafes forced people to cook more at home. Before this year the trend was totally the opposite more and more people preferred to use catering and buy less food for home cooking, so, Covid-19 change not only economic situation in the country but the lifestyle of the population.

#### **4. Unemployment rate**

Data of the Labour Force Survey (LFS) shows that in October 2020 actual unemployment rate comprised 7.7%, which is 0.3% less than in September. In October 2020 there were 74.9 thousand unemployed in Latvia, which is 2.5 thousand less than in September.<sup>54</sup> However, compare to the corresponding period of 2019 in October there were 20.8 thousand more unemployed people in October 2020. Since the first declaration of the state of emergency, compared to the actual monthly unemployment data of February 2020, the number of unemployed has increased by 3.3 thousand. According to Eurostat, Latvian unemployment rate corresponds to EU-27 unemployment rate (7.6%) and slightly lower than Euro area unemployment rate (8.4%) in October 2020.<sup>55</sup>

Even though the statistics is not worse than in EU countries, it can be seen that unemployment indicators decreased significantly since the first

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<sup>54</sup> Central Statistical Bureau of Latvia (20.11.2020) In October actual unemployment rate constituted 7.7 % and registered – 7.4 %. Press Release, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/unemployment/search-in-theme/2903-unemployment-october-2020>

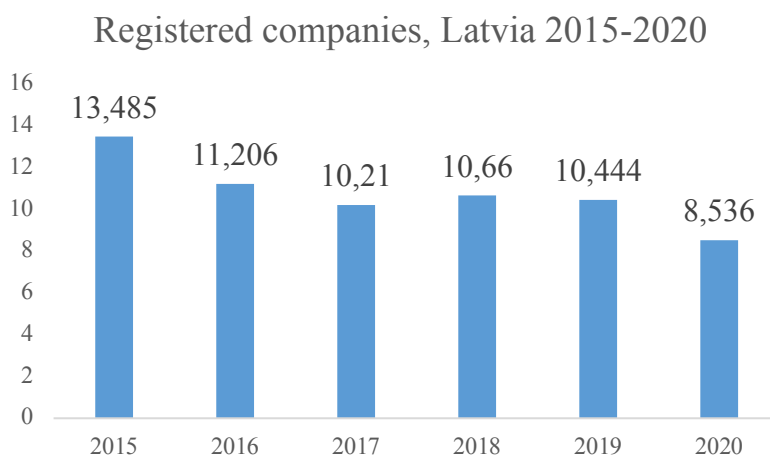
<sup>55</sup> Eurostat (October 2020) Unemployment statistics. Available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics)

state of emergency in the country. As it was already mentioned above, a lot of people lost their jobs.

At the same time, general public is not the only group that need to be in the focus, entrepreneurs and their businesses suffered severely during this tough time, plenty of companies went bankrupt and the consequences of this crisis will be fully understandable only in the next several years. Therefore, in the next paragraph the situation with business insolvency statistics are analysed.

## 5. Business insolvency situation

According to the latest data, the number of registered companies in Latvia fell be around two thousand or 18%. In general, from 2016 to 2019 there were approximately same quantity on newly registered enterprises but due to Covid-19 crisis this year 2020 there were less people with intention to start up. For the country's economy it can cause huge losses in the future but people afraid to start new business in the unstable situation (see Fig. 1).

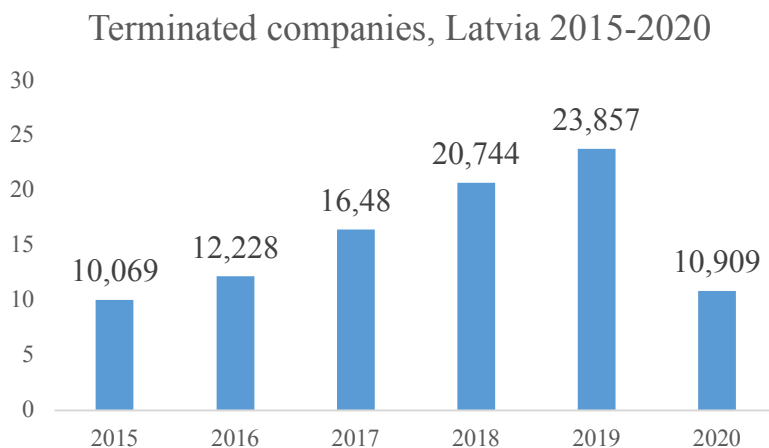


**Figure 1.** Registered companies, Latvia 2015-2020<sup>56</sup>

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<sup>56</sup> Lursoft (11.12.2020) Dynamics of establishment and liquidation of entities registered in the Register of Enterprises of the Republic of Latvia. Available at: [https://www.lursoft.lv/lursoft\\_statistika/?&id=3](https://www.lursoft.lv/lursoft_statistika/?&id=3)

However, during Covid-19 pandemic government implemented measures to support business, therefore, statistics on the terminated companies become even better than before Covid-19 crisis (see Fig. 2).



**Figure 2.** Terminated companies, Latvia 2015-2020

Since 2015, the trend of termination has been ascending until 2019, and in 2020 there was a sharp drop more than twice in the number of terminated companies. So, what are the measures, which helped to decrease this number so efficiently? There are the following reasons, why there is such a drop in the number of terminated companies:

1. until September 1, 2020, it was prohibited for the creditors to apply for the insolvency proceeding of a legal person;
2. the government provided the possibility for the taxpayers to reschedule or postpone the duty payment for a period of up to three years;
3. state institutions exempted businesses from rent payments in the sectors affected by Covid-19 or decide on the rent payment reduction. In addition, interest on delayed payment and penalties for delayed payments may be waived;
4. if the employee is unemployed by the employer or is on idle time because of the measures laid down by the Covid-19, the state will support

the employers in paying the compensations to employees, granting 75% of the remuneration, not exceeding 700 EUR per month. Also, these grants are not a subject to the income tax and security payments.<sup>57</sup>

## **Summary**

Thus, this year 2020 was difficult for every economic sector of Latvia. GDP rate reduced, while unemployment rate increased, people spent less money in general as it usually happens in the crisis situations. However, even in the difficult times it was possible to stabilize country's position by conscious behaviour of Latvian people and implementation of the governmental support for population and businesses in Latvia and maintain wages and salaries at the same level with a slight increase.

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<sup>57</sup> VA Government. (06.04.2020) Covid-19 review of government support mechanisms. Available at:

[https://www.vilands.lv/wp-content/uploads/2020/04/COVID-19-Latvia\\_Government-support-mechanisms-20200406.pdf](https://www.vilands.lv/wp-content/uploads/2020/04/COVID-19-Latvia_Government-support-mechanisms-20200406.pdf)

## **Lithuania's economy continues to grow under the pandemic**

**Linas Eriksonas**

The year 2020, which has gone down in history as the year of the global economic slump caused by the pandemic's unprecedented outburst, would have a somewhat different narrative when describing its impact on Lithuania's economy. Throughout the year the economists have repeatedly declared that the economic crisis in Lithuania ended without even starting. The GDP growth picked up and accelerated during the third quarter when it reached 3,8 per cent and the decrease in the annual GDP growth expected to be below 2 per cent. The volume of exports has been growing and in specific sectors such as furniture almost doubled. The consumer sentiment has been among the highest in the EU. In November, during the second wave of the pandemic, the Consumer Confidence Indicator stood at minus 4,8 per cent, well ahead of the EU average (minus 18,7 per cent). Thus, even the rapidly worsening public health situation in November when Lithuania recorded one of the highest numbers of the daily identified COVID-19 cases (2-3 times more than in Latvia and Estonia) did not significantly impact either consumer sentiment or the economy at large. The real estate boom (both in the commercial and residential segments) that came about during the second half of the year has shown that the pandemic did not halt the economic activities but, quite unexpectedly, accelerated them.

Below is an overview of the conditions that created a dynamic of Lithuania's economic growth during the pandemic despite all odds or perhaps because some of them. It will briefly summarize some of the findings and the insights from the ongoing discussions trying to explain the continuing growth of Lithuania's economy.

The mainstream economic thought (referred to as the neoclassical one) maintains that the efficient allocation of productive forces is at the heart of the economy. As the theory postulates, the growth of the resources, in the long run, expands the production of goods and continues until the market equilibrium is reached; the mechanism which provides, as argued, the efficient allocation of resources. It is further explained that utility is the key to affect the so-called marginal utility resulting from the consumption. Accordingly, the law of diminishing marginal utility states that as the quantity consumed increases, the marginal utility (the benefit gained from consuming one additional unit of a product or service) decreases.

However, the dominant economic theory fails to sufficiently explain why Lithuania's economy continues to further grow under the pandemic. It is reported that the restrictions due to COVID-19 have severely impacted the retail sector; out of the worst affected companies in Lithuania which have difficulty meeting their tax obligations are those involved in the retail and wholesale of consumables, food and beverages. However, overall the retail sector has expanded. In a year from November 2019 to November 2020 the turnover of food retail in Lithuania increased by 4.3 per cent in constant prices and 13.1 per cent in the non-food retail.

Lithuania's economy's resilience under the current conditions becomes even more puzzling when considering the relatively low levels of productivity of the economy as has been pointed out in a number of the analytical reports by international bodies (most recently by OECD).

The economists argue that Lithuania's economy's resilience is because the economic sectors most affected by the pandemic in other countries (such as the international air travel, oil and gas drilling, leisure facilities, incoming tourism) have not contributed much to the national economy. For example, the tourism sector has generated only 2,9 per cent GDP in 2019, while in Latvia and Estonia, the share of tourism stood at 4,5 and 9 per cent respectively. Indeed, Lithuania's exports have been increasing throughout the year in the less affected sectors by COVID-19 such as furniture and machinery which form an important part of the economy (the engineering industry alone contributes almost a quarter of

GDP). Market-demand considerations in the region relying on shorter supply chain indeed can explain the individual sectorial performances, yet they hardly can explain a somewhat particular situation of the performance of Lithuania's economy as a whole.

One has to turn to the classical economic theory when trying to understand the development of Europe's peripheral economies such as Lithuania's under COVID-19. According to the comparative advantage principle, the growth of the national economy is a result of the production of the goods that require lower opportunity costs compared to other nations, which creates and sustains international labour division and specialization. Hence, it is not the absolute production ability of individual sectors but the ability to produce more efficiently (less costly and timelier) than other competing economies that create the country's relative advantage.

Since the accession to the EU Lithuania's economy has been undergoing a significant overhaul. Individual sectors such as logistics, transport, manufacturing, and food industry have attracted the capital investment required to acquire and renew production means and have reskilled the labour force. However, productivity rates have been slow to improve. In the EU common market, the Lithuanian economy lacked the comparative advantages against many other EU Member States, including the new EU entrants from the Eastern and Central Europe, that could produce most of the goods more effectively due to the economy of scale, logistics and technology. The markets to the East of the EU borders have remained challenging to access due to the EU economic sanctions against Russia and the export tariff barriers to access other non-EU countries. Hence, the most vital sectors in the economy remained the domestic ones: the real estate-related economic activities, including the construction sector and the logistics driven by domestic consumption and the retail.

The pandemic has regionalized the national economies within the EU, thus lessening the dominant position of the core economies in the peripheral markets while at the same time creating conditions for a new division of labour across Europe due to the new normal under COVID-19. Lithuania's economy has gained a new role of the manufacturer and the



offshore service provider for the Baltic and the Nordic region, which has come out of the first wave of the pandemic relatively unscathed. Due to the shared banking sector across this region and the established transport linkages, Lithuania has become the country offering goods and services at a lower opportunity cost to the consumers in the Nordic and other Baltic countries. In 2019 the year-to-year imports to Lithuania decreased by 3,2 per cent, while the exports increased by 5 per cent. According to the bank analysts' latest reports, the exports of goods except for mineral goods increased by 9,2 per cent.

The economic growth has kickstarted a new dynamic, as is attested by the lessening of the economy's reliance on the remittances of workers who out-migrated from Lithuania over the last decade. At the end of the year, the central bank has reported that the pandemic drained the flow of remittances to Lithuania from the economic migrants working in the more advanced economies. In 2020, the volume of remittances decreased by 40 per cent. While in the previous years the so-called remittance economy comprised from 2,6 to 4 per cent GDP, this figure for the year 2020, as forecasted by the central bank, would be well below 2 per cent.

Each year, around 1 billion euros is remitted to Lithuania and about 400 million euros from Lithuania's private accounts abroad. The international labour policy analysts argue that remittances can reduce labour supply and create a dependency culture that inhibits economic growth. Remittances can increase the consumption of non-tradable goods, raise their prices, appreciate the real exchange rate, and decrease exports, thus damaging the receiving country's competitiveness against more advanced economies. Hence, the draining of the remittances during the continuing growth of the economy under COVID-19 might indicate that Lithuania's economy is underway in taking the course of becoming an advanced economy. The increased level of salaries also conforms to that pattern; in 2020, Lithuania's wages increased on average by 11,2 per cent (continuing the same growth from the previous year when the salary growth reached 14,1 per cent). For example, Estonia's salary growth figures, which has been by far the leading economy among the three Baltic countries and

many Central and Eastern European countries, stood at 3,2 per cent this year and 7,5 per cent last year.

The adaptation of the economy to the conditions required to conduct an increased share of activities online using the IT tools for remote work is essential to create the improved conditions for Lithuania's economy to sustain the momentum of becoming the advanced economy over the next decade. According to the IT industry experts, due to the pandemic, the Lithuanian economy has made a breakthrough in digitalising its private and public sectors alike, which would have required five years to achieve under the usual conditions.

A further impetus can be achieved through public funding. The adopted budget for 2021 has foreseen the budget deficit of 7 per cent of GDP. About 1 billion euros corresponding to 2 per cent of GDP earmarked to finance the measures addressing the challenges caused by the pandemic, including the subsidies for the companies affected by the pandemic and for funding the increase of pensions and social benefits. All of this can further contribute to the sustaining the domestic consumption. The impetus for sustaining the growth of the economy can come from the funds that would be available through the EU's Recover and Resilience Plan.

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# Montenegrin Economy in 2020

Milika Mirkovic

*Summary: After high growth rates and positive trends in the economy during the previous year, but also optimistic expectations about favourable trends during 2020, the crisis caused by pandemic of corona virus affected a large decline in economic activity and brought the Montenegrin economy into recession. Negative growth rates have been recorded in almost all segments of the economy. The crisis had the greatest impact on the service sector, which generates the largest contribution to the growth of the Montenegrin economy. A large number of companies are facing difficulties in doing business and significant number of employees lost their jobs. In order to combat the effects of the pandemic, the Government has adopted various measures through three aid packages.*

## Unfavourable economic trends

Although there were projections that Montenegrin economy would grow in 2020, the crisis caused by the pandemic has led to a sharp decline in economic activity. Negative growth rates were recorded in almost all sectors of activity. First of all, the restrictive measures introduced by Montenegro in order to reduce the spread of the virus, but also the measures introduced by the countries with which Montenegro has the greatest economic cooperation, have limited the work of a large number of companies. According to the Enterprise Survey by the Union of Employers of Montenegro, 42% of companies had suspended work during the lockdown period, while 10% was fully operational, while 13% of companies organized work from home<sup>58</sup>. The suspension of companies

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<sup>58</sup> <https://poslodavci.org/biblioteka/publikacije/uticaj-covid-19-na-poslovanje-crnogorskih-preduzeca>

from the sector of tourism and catering, international traffic, a number of companies from trade, and other service activities has affected a large number of companies to have various difficulties in doing business. According to the research of the Institute for Strategic Studies and Projections (ISSP), the companies assessed insufficient liquidity as the most significant difficulty in doing business, but also the loss of the Montenegrin market<sup>59</sup>. Also, in order to prevent the spread of the epidemic during the summer season, restrictive measures were introduced that limited the influx of tourists from abroad, especially from the countries from which the largest number of tourists came (such as Serbia, Russia, Kosovo and Germany). As a result, these measures have had a major impact on tourism and tourism-related sectors, such as transport, agriculture, trade and other service activities. However, trends in tourism have not only been influenced by the epidemiological situation in Montenegro, but also in the countries from which the largest number of tourists come, as well as travel policies that were in force. Given that tourism generates about a quarter of total GDP, unfavourable trends during the summer season had a major impact on the value of GDP. During the first ten months of 2020, the number of tourist arrivals in collective accommodation decreased by 78.9% compared to the same period in 2019, while the number of overnight stays decreased by 80.2% in the same comparative period. In addition, during the period from April to October 2020 the number of tourist arrivals in collective accommodation has decreased by 84.8%, while the number of tourist overnight stays decreased by 83.5% compared to the same period last year.

In addition to tourism, negative trends have been recorded in other service sectors. The suspension and restriction in air traffic affected the number of passengers transported at airports by 80% in the first three quarters of 2020 compared to the same period in 2019<sup>60</sup>. In the same comparative period, there was a decrease in railway and road traffic (the

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<sup>59</sup> <http://issp.me/projects/research-results-the-impact-of-the-covid-19-virus-pandemic-on-the-montenegrin-economy/>

<sup>60</sup> <https://www.monstat.org/cg/page.php?id=1758&pageid=36>

number of transported passengers decreased by 51.7% and 63.4%, respectively). Also, turnover in retail trade fell by 18.0% during the first ten months of 2020 compared to the same period last year. The construction sector also recorded negative growth rates during 2020. Although it grew by 4.6% in the first quarter, decline was recorded in the second and third quarters of 2020 (-15.9% and -9.6% compared to the same quarters from 2019). Reduction of investments and smaller volume of works on the construction of the highway, postponement of construction projects and market uncertainty have influenced the reduced construction activity.

During 2020, industrial production also decreased compared to the previous year, but in a significantly lower percentage compared to other sectors. In the first three quarters of 2020, industrial production decreased by 1.5%, where the most significant generator of decline was electricity production (-7.5%), while on the other side the mining and quarrying sector recorded an increase of 8.1% due to higher production of metal ore (bauxite), as well as the manufacturing sector of 0.5% whose growth was generated by higher production of basic metals<sup>61</sup>.

In the first quarter of 2020, the Montenegrin economy recorded a real growth of 2.7% compared to the first quarter of the previous year<sup>62</sup>, while due to the crisis caused by the pandemic in the second quarter, the Montenegrin economy recorded a double-digit negative growth rate of -20.2% compared to the Q2 2019<sup>63</sup>. Therefore, the total GDP growth rate in the first six months was -10.6%. Although there are no official data for the third quarter, during which a third of the GDP is realized, based on the trends in individual sectors, a high rate of GDP decline can be expected in that period too.

All categories of GDP on consumption side, record a negative growth rates. Household consumption was significantly reduced due to reduced

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<sup>61</sup> <https://www.monstat.org/uploads/files/Bilten/2020/11/7.pdf>

<sup>62</sup> [https://www.monstat.org/userfiles/file/GDP/2020/1/IQBDP2020\\_mne.pdf](https://www.monstat.org/userfiles/file/GDP/2020/1/IQBDP2020_mne.pdf)

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[https://www.monstat.org/uploads/files/Nacionalni%20racuni/QBDP/IIQBDP2020\\_mne.pdf](https://www.monstat.org/uploads/files/Nacionalni%20racuni/QBDP/IIQBDP2020_mne.pdf)

disposable income due to reduced employment and remittance inflows (in second quarter 2020 consumption recorded real growth rate of -15%). The high uncertainty brought by the pandemic and scarce resources, in both the private and public sectors, are affecting the postponement of investment projects, which led to a large decline in investment activity (-26.3% was real growth rate in the second quarter of 2020).

As the Montenegrin economy is import-dependent, reduced economic activity in tourism, industry, and construction and consequently in other sectors of activity has influenced the reduction of foreign trade. According to MONSTAT, in the first ten months, exports of goods fell by 15.7%, while imports of goods were smaller by 19.6% compared to the same period in 2019. Significantly lower number of foreign tourists who represents a significant volume of consumption of imported goods, resulted in a decrease in imports, primarily of food products.

Therefore, according to the projections of international and domestic institutions, GDP in 2020 will record a double-digit negative growth rate, which is the largest decline in the last twenty years. International Monetary Fund projects a decline of -12%, while the projections of the World Bank are slightly worse (-12.4%). On the other side, domestic institutions project significantly higher negative growth rates, where ISSP projects a decline of -15.5% to -17% in real terms.

### **The large drop in employment**

The decline in economic activity has led to a reduction in the number of employees and an increase in unemployment. During the first ten months, registered employment decreased by 12% compared to the average employment in the first ten months of the previous year. The number of employees in October 2020 was lower by 37,584 or 18.5% compared to 2019, while the number of employees during “pandemic period” (March-

October 2020) decreased by 21,290, which indicates a significant problem of the labour market<sup>64</sup>.

On the other side, number of unemployed has increased from 36,693 in 2019 to 44,811 in October 2020 or 22.1%. According to the Labour Force Survey, unemployment rate in the third quarter of 2020 amounted to 19.0%, which is 3.9 percentage points higher in comparison to 2019. Also, employment rate in the same comparative period has decreased from 48.7% to 43.0%. At the same time, there has been an increase in inactivity rate (4.3 percentage points).

### **What support measures have been adopted?**

In order to reduce the negative consequences of the coronavirus pandemic, the Government has adopted a set of economic measures through three packages. In addition to measures aimed at vulnerable categories of the population, measures were adopted for companies whose activities were prohibited or endangered. Measures under the previous two packages were related to maintaining liquidity and preserving jobs and were consisted from subsidies for companies whose operations have been discontinued and those whose operations are endangered due to a pandemic, loans to companies' to preserve liquidity. On the other side, key measures under the third package<sup>65</sup> which are divided into short-term and long-term measures are loans to companies, fiscal incentives, subsidies, tax relief, support for vulnerable groups and more. The total value of the third package of measures is EUR 1.22 billion, which refers to the period 2020-2024. Actually, this package can be viewed as an economic strategy for the next five-year period. Out of the total planned financial resources, 23% or EUR 281.2 million refers to 2020, and the rest for the period 2021-2024.

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<sup>64</sup> Total employment in 2019 was 203,545 and in October 2020 was 165,961, MONSTAT 2020

<sup>65</sup> Government of Montenegro, The Third Package of Economic Measures (July 2020)

<http://www.gov.me/ResourceManager/FileDownload.aspx?rId=410581&rType=2>



The value of the first two packages of measures implemented in the previous period amounted to EUR 320 million, which with the third package results in a total value of support the economy of EUR 600 million in 2020.

## **Macedonian economic developments in 2020**

**Gjorgjioska M. Adela**

By and large economic forecasts for 2020 were rendered obsolete by the coronavirus pandemic. Not only were policy makers confronted with a public health emergency but they also faced a great economic challenge. Whilst it is early to predict the full extent of the economic aftershock of the pandemic itself, it is nonetheless possible to assess the various economic responses taken, the logic that guided them as well as their short to medium term cost-effectiveness.

In the Macedonian context, the coronavirus pandemic brought about new challenges to the already fragile and stagnant economy. In 2020, it was expected that the GDP would rise to 4,2% from the rate of 3,3% marked in 2019. Instead, by the end of 2020 it was projected that the annual real GDP growth in the country will be -5.0%. This is the biggest drop since the country's independence in 1991. By way of comparison, during the economic crisis in 2009, GDP dropped only by -0,4%. The biggest fall of -3,1% was observed in 2001, as a consequence of an armed conflict. The GDP rate fluctuated throughout 2020 in reaction to the global and regional macroeconomic trends which impacted both exports and imports, but also in response to the specific fiscal measures taken by the Government in response to the pandemic. According to the State Statistical Office, GDP growth was 0,2% in the first quarter, -12.7 % in the second quarter and -3,3% in the third quarter of 2020.<sup>66</sup> This volatility is reflective of the trajectory of the coronavirus pandemic. The sharpest decline, which was experienced in the second quarter of the year can be attributed to two main factors. Firstly, this was the period when both nationally and internationally the priority was placed on the early mitigation of the pandemic. This meant

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<sup>66</sup> <http://www.stat.gov.mk/PrikaziSoopstanie.aspx?rbtxt=31>

strict restrictions on movement aimed at curbing the spread of the virus, which resulted in the closure or slow-down of almost all economic activity. The hospitality, tourism and services sectors suffered the first heavy blow as small and medium businesses, food/farmers markets, shopping malls, coffee shops, restaurants, and micro and small businesses were closed across the country. What is more, the high dependence of the Macedonian economy on imports from and exports to the European virus-hit countries made it particularly vulnerable to the economic side effects of Covid 19. Namely, nine out of ten of its biggest export markets are countries in which the virus was spreading rapidly and which have also imposed high restrictions during the second quarter of 2020: Germany, Greece, Britain, Italy, China, Serbia, Bulgaria, Romania and Belgium.

At the end of March, the Ministry of Finance announced that in order to counter the economic consequences of the pandemic, loans had been requested from the International Monetary Fund to the value of 87 million euros, from the World Bank to the value of between 100 and 120 million euros and from foreign commercial banks to the value of 400 million euros.<sup>67</sup> In the months that followed the loans translated into Government economic (stimulus) packages. In an attempt to mitigate against economic consequences of Covid19 the Government passed four such packages, the total costs of which exceeded 1 billion euros.<sup>68</sup>

The first two economic packages were announced on the 19th and the 31st of March respectively. Their combined cost is estimated to be around 200 million euros. Primarily they have been directed towards improving the liquidity of firms worst affected by the coronavirus and preventing a sharp rise in unemployment. The first economic package included a subsidy on employee contributions of up to 50% of the average salary paid in 2019 aimed to support the most severely affected sectors of tourism,

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<sup>67</sup> “The state will request loans from international financial institutions and commercial banks” available at <https://www.24.mk/details/drzhavata-kje-se-zadolzhuva-kaj-me-unarodnite-finansiski-institucii-i-komercijalni-banki>

<sup>68</sup> <https://vlada.mk/node/22629>

transport, catering and other corona-affected companies for the months of April, May and June of 2020. The second set of measures included a state subsidy offered to companies in order to cover the minimum wage of 14,500 denars (around 240 euros) for all employees affected by the crisis, as well as all sportsmen, artists and independent business owners such as hairdressers, beauticians, craftsmen and farmers.

On May 17th, the government adopted a third economic package worth €355mn in response to the coronavirus pandemic. In comparison to the first two packages (of about €200mn), which were aimed at immediate relief towards saving jobs due to the lockdown measures, the third package had been described as “direct assistance to citizens and businesses to offset the consequences of the coronavirus (COVID-19) pandemic”<sup>69</sup> It consisted of three funding categories: the distribution of means of payment to the population in order to encourage the consumption of local goods and services; direct support for the economy; and an aid for the agrarian sector in the country. However, the measures in this package proved to focus on one-off financial assistance, which was able to offer only temporary and insufficient financial support for regular citizens. Moreover, the package was criticized due to its disproportionate favoring of businesses over regular citizens; it allocated three times more funds to businesses compared to citizens, as well as the fact that interest-free loans are made available to businesses but not to individual citizens.

The fourth and largest package was announced on the 27th of September. Including 31 measures it amounted to a total cost of 470 million euros. According to the Prime Minister the stimulus package was aimed at revitalising the economy by supporting businesses and individuals affected by the coronavirus pandemic. "The new stimulus package is a continuation of the previous three packages aiming to ensure economic sustainability," said the Prime Minister.<sup>70</sup> The package included wage subsidies for October, November and December for 83,000 employees in companies

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<sup>69</sup> <https://vlada.mk/node/21424>

<sup>70</sup> <https://vlada.mk/node/22629>

affected by the crisis. Furthermore, some 5,726 single parents, 182,271 retirees, 85,108 unemployed, 520 artists and cultural workers, as well as all citizens over 64 years of age who do not receive a pension or social benefits will receive 6,000 denars (\$113.4/97.5 euro) each. It also provided new low interest loans worth a total of 100 million euro to local companies through the Development Bank of North Macedonia. Moreover, it included subsidies and grants for the tourism and hospitality industries.

The fiscal policy adopted by the Government in response to the pandemic was criticised due to three main reasons. Firstly, it was criticised because it offered only ad-hoc and temporary support to businesses and individuals affected by the crisis. Secondly, it was criticised due to its apparent disproportionate favoring of large businesses (including foreign companies) over small businesses and regular citizens. Thirdly, it was criticised due to its huge implications for the country's public debt, which rose from 48,9% in 2019 to 59,5% of GDP in 2020. This in turn raised concerns over the long term economic consequences of the fiscal measures taken in 2020. However, such concerns did not seem to be shared by the Government.

At a joint press conference held on the 11th of November, Prime Minister Zoran Zaev and Minister of Finance Fatmir Besimi presented the draft-Budget for 2021, which projected a GDP growth of 4,1% in 2021, revenues at EUR 3,45 billion and expenditures at EUR 4,02 billion, a budget deficit of 4,9% of the GDP and capital investments at EUR 374 million.<sup>71</sup> It is difficult to justify the optimism of such forecasts in the context of the continuing pandemic, its long-term economic consequences of Covid19, but also the structure of the Macedonian economy and the periodic cycles of modern capitalism. Thus, it is likely that the forecasts are based on planned large scale privatisations some of which have already been hinted at by the Government. For instance, there have been mentions of possible private-public partnerships for several large state-owned

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<sup>71</sup> <https://vlada.mk/node/23163>

companies including the Post office, the Railways, as well as the factories “Eurokompozit”, “Kolska” and “TEC Negotino”.

The combination of the global, regional as well as domestic consequences of Covid19 resulted in a turbulent year for the Macedonian economy. The Government attempted to navigate these uncharted waters by introducing four economic stimulus packages, incurring a cost of 1 billion euros and a rise in the public debt by nearly 11% in only 1 year. Whilst the economic packages did have a short ameliorating effect on the economy, the large debt which they incurred as well as the way in which they were distributed raised concerns for their medium to long term implications over the country’s economic recovery. What is more, the medium to long term effects of these measures are likely to be dependent on developments in Europe – due to strong banking and trade ties, but also due to the diminished capacity of the state to plan, coordinate and stimulate the economy as a whole.

## **Impact of the pandemic on the Polish economy in 2020**

**Joanna Ciesielska-Klikowska**

*Summary: In 2020, the coronavirus pandemic had a noticeable impact on Polish economy. It affected both employers and employees, and none of the industries remained unconcerned. Since the spring, the government has been preparing further plans to support the economy. How did it in fact suffer in the times of COVID-19 and how did the state authorities help all sectors of the economy?*

The uniqueness of the current economic crisis lies in the fact that the sharp slowdown in economic activity is caused by a non-economic factor that has quickly affected almost all countries in the world, including Poland, which has been doing relatively well economically over the last 30 years, and the recent years has been a time of prosperity. Yet, today's problems do not arise from the weaknesses of the economic system itself, but are rooted in three areas: firstly, in the significant limitation of people's activity, forced by health issues; secondly, in hitting both the demand and supply sides of economies; thirdly, in the widespread expectation of significant involvement of state in helping all industries affected by the pandemic.

In fact, since the outbreak of COVID-19 in Poland in mid-March 2020, it was clear that its consequences would be serious both for the inefficient and poorly paid healthcare system and for the economy. Focusing on the latter aspect, it should be stated that it is still difficult to predict the final effects of the epidemic today, but it is clear that it has left its mark on the entrepreneurship of Poles.

## **Economic moods in times of epidemic**

According to the latest data presented by Intrum, Poland is among three European countries (along with Greece and Romania) where the citizens were most affected by the crisis. 62% of Polish consumers admit that their financial well-being has worsened recently. When it comes to bringing up children, this percentage is even higher (69%). Only 16% of Polish respondents believe that this issue will improve in the coming time.

The entrepreneurs themselves have no better opinion about the economic situation. 70% admit that they now have less income, which has a direct impact on their business. Almost 50% declare that Poland is already dealing with a recession or that it will soon face an economic collapse. It can be suspected that the longer the pandemic lasts, the more firms will be convinced of the coming recession - currently 48% of Polish businessmen indicate that the crisis has a negative impact on the functioning of their companies.

Naturally, the pandemic also has influence on the scale of unemployment - this has increased in recent months (May-October 2020) and remains at the level of 6.1% (in the same period last year it was 5.1%), which means that there are currently over 1 million unemployed in Poland. However, the abovementioned data specifies only “registered unemployment”, i.e. refers to people who have registered with labour offices as unemployed. Meanwhile, people who do not look for a job and have been inactive for a long time are not defined as unemployed, but as “professionally inactive”. They are not taken into account when calculating the unemployment rate. And here the number is much higher - there are currently over 3.7 million “professionally inactive” people in Poland. Also, according to the Central Statistical Office, people who are not looking for a job because of the pandemic create a group of 247,000 people, of which 2/3 live in cities.

Theoretically, according to the data of the Central Statistical Office, Poland has the second lowest unemployment rate compared to other EU member states. Yet, the labour market in current crisis is difficult and



unpredictable: under the new conditions, there is nowhere to look for a job, and many companies are barely surviving. The biggest problems that enterprises in Poland are facing in 2020 include: maintaining financial liquidity, securing a steady cash flow by rebuilding the demand for the products and services offered, and receiving payments on time. 51% of companies say late payment threatens their survival during the COVID-19 crisis. Moreover, the entrepreneurs point out, that the pandemic has lowered the purchasing power of consumers. Yet, they want to help domestic businesses - as many as 68% of Poles declare that they buy local products instead of choosing international brands.

### **Industries hardest hit**

Restrictions introduced regularly since mid-March 2020 did not bypass any sector of the economy. However, they hit the hotel, catering and recreational industries the hardest by far, because they practically prevented them from functioning. In Poland, where summer holidays at the seaside are relatively long (May-September), and winter in the mountains also lasts from November till March – it means, that almost a whole year 2020/21 is and will be dead. At the end of 2020, hoteliers indicated that they literally have no financial resources to maintain their hotels and guesthouses, including paying all tax contributions and employees' salaries. The same applies to cinemas or theatres that have been banned from receiving viewers for months.

Therefore, over the following months, when the functioning of industries such as events and meetings, fitness, gastronomy and hospitality was practically impossible, their representatives sent petitions to the government, calling to urgently develop comprehensive sectoral solutions. Among others, a cancellation of taxes, introduction of additional subsidies and compensations for the affected industries were demanded. Entrepreneurs plead that they are “on the brink of survival”, and that “emotions among the approx. 3 million workers [...] of these sectors of the

economy reach their peak”. The government’s response to the needs of all industries were to become the so-called Anti-crisis shields.

### **Anti-crisis shields**

Polish government from the very beginning of the pandemic developed plans to combat the economic effects of COVID-19, realizing that sooner or later all industries will be hit by financial constraints in some way. Therefore, throughout the year 2020 instruments were introduced to support the maintenance of activities and jobs in enterprises.

Already in the first weeks, the Anti-crisis shield 1.0 (on April 1) was launched, under which entrepreneurs who experienced a decline in economic turnover could apply for benefits for the protection of jobs. The shield integrated solutions for employers, including i.e.:

- making employment more flexible,
- subsidizing the salaries of employees affected by economic downtime or reduced working hours,
- co-financing for employee salaries, for employees employed in non-governmental organizations and other entities conducting public benefit activities,
- exemption of private business entities employing up to 9 people from paying state insurance contributions for March-May 2020,
- loans for micro-entrepreneurs (up to PLN 5,000; EUR 1,135).

The anti-crisis shield 1.0 also included assistance for the employed:

- standstill benefits for the self-employed and those employed under civil law contracts,
- additional care allowance,
- sickness benefit for persons obliged to quarantine.

Anti-crisis shield 2.0 from April 17, extended these solutions also for newly established enterprises (registered between February 1 and April 1,

2020). It included exemptions from paying social security contributions for the self-employed and expanded the scope of entities exempt from paying them with enterprises employing 9-49 people.

The third version of the shield, adopted on May 15, completed these arrangements, but also directed assistance to specific sectors (support for the cultural sector, wood processing sector), and introduced a number of administrative facilitations (electronic correspondence, etc.)

The fourth version from June 24, introduced provisions on subsidies to the interest rate of bank loans granted to provide financial liquidity to entrepreneurs suffering from the effects of COVID-19. The Anti-crisis shield 4.0 also established the requirement to obtain the consent of the Office of Competition and Consumer Protection for the takeover of a Polish company or the acquisition of a significant block of shares / stocks (20% of shares or a share of profit in a Polish company) by an entity from outside the EU, EEA or a non-OECD country.

Anti-crisis shield 5.0 entered into force on October 15, as a specifically dedicated “industry shield”, under which funds were allocated to the support of tourism and cultural industry (i.e. standstill benefit, additional standstill benefit and exemption from social insurance contributions for July-September 2020).

The last Anti-crisis shield 6.0 entered into force on December 14, and also applied to individual industries, in particular those that suffered the most during the second wave of the epidemic. The catalogue of industries covered was extended, among others for catering and transport companies, as well as the rental and lease of machines, tourist agents or companies dealing with the organization of artistic ventures and some forms of entertainment and recreation (sport centres).

The total cost of all existing shields providing support for the Polish economy is to amount to approximately PLN 300 billion (EUR 68 billion), and by the end of the year over half of that sum has been already spent.

## **Summary**

Concluding, the year 2020 was difficult for the Polish (and international) economy. According to the predicted data, Poland's GDP will shrink by 4.3%, unemployment will eventually increase to 7.5%, and inflation will remain at a very high level of 3.8%. Consumers' habits are also changing - due to the pandemic, as many as 87% of consumers buy online (an increase of 11% compared to 2019), which will remain a permanent element of the economy.

For now, however, the situation is not yet dramatic, although many industries and businesses are in serious trouble. Successive Anti-crisis shields support domestic entrepreneurs, though undoubtedly the help should be even greater, long-term and, above all, strategically thought out for many years to come. The bureaucratic sphere, the constantly changing regulations and implementing provisions of the Anti-crisis shields still leave much to be desired. The fight against the pandemic continues and its economic effects will be felt in 2021 as well.

## **Overview of Romanian economic developments in 2020: the budget deficit, large obstacle to recovery**

**Oana Cristina Popovici**

***Summary:** Romania managed to avoid technical recession in 2020, but the recovery was slowed down by the lack of fiscal space, which limited the Government's financial aid package for the business environment. A major problem for Romania remains the large budget deficit, estimated at 9-10% of the GDP for the whole year. Romania counts on EU funds for enhancing recovery, as a National Recovery and Resilience Plan meant to absorb EUR 30 billion for reforms and investments with long-term effects on the economy was launched in public debate at the end of November.*

Non-bank financial markets in Romania have adapted well to the shocks that hit European economies this year as a result of the COVID-19 pandemics, according to the report of the Financial Supervisory Authority for the second semester of this year. The same report highlights the fact that the Romanian economy had a gentle evolution in the first quarter of 2020, compared to other European countries, which registered severe contractions. The stronger shock was visible in the second quarter, caused by the isolation measures and quarantine instituted by the state of emergency from mid-March to May 2020. Since the onset of the crisis generated by the COVID-19 pandemic, the non-banking financial markets in Romania have evolved without major convulsions. However, the impact of the health crisis still persists on the real economy, which is going through a global stage of structural transformations, implemented in a short time, determined by the need to reduce losses and adapt to new challenges in all economic branches.

The National Institute of Statistics revealed a GDP decrease in the third quarter of this year, which hit -6% as compared to the same quarter in 2019. However, the GDP was 5.6% higher than in the second quarter of 2020, which diminished the initial shock of the pandemics. Therefore, the cumulative result for the first three quarters of the current year indicate a decrease by -5.1%. Romania has avoided the technical recession, as the economic contraction was not registered in two consecutive quarters, a rare situation at European level. However, the recovery has been slightly weaker than most EU countries, mostly due to the lack of fiscal space for measures meant to enhance the economy.

The main reasons for the GDP decrease resided in the drop of the industrial production by 11% in the first nine months, which led to almost half of the GDP decline. Agriculture was responsible for another quarter of the GDP decline, while the remaining negative impact was caused by the inevitable fall in the entertainment sector and trade activity, which includes the activities of restaurants, affected by the lockdown measures. The weak agricultural year was not determined by the pandemics but by the weather conditions that affected the crop production. Growths were registered in the IT sector and in constructions. The trade deficit hit almost 7% of the GDP in the first 10 months of 2020. Although there was a slight increase in exports in October, trade deficit continues to remain high and with an important contribution in GDP decline.

The unemployment rate hit 5.3% in October, after the authorities decided to reintroduce certain restrictions to curb the evolution of the COVID-19 pandemic. It was lower than the projections at the beginnings of the pandemics, which indicated an increase up to 11% at the end of 2020. In fact, the unemployment rate in Romania remained relatively low and constant during the pandemic following to the support measures for the employers. Thus, employees who were technically unemployed or on unpaid leave, did not appear in the statistics.

The budget deficit was a problem since the beginning of the year, even when the spread of coronavirus was not considered a threat for the economy. At the end of the year, on the background of the difficulties

generated by the pandemics, the state of the budget deficit worsened. The budget deficit reached 7% of GDP after the first 10 months of the year, as compared to 2.8% of GDP in the same period of 2019. Its growth is partially explained by the COVID-19 health crisis, which forced the state to increase spending for supporting different affected sectors. According to the Minister of Finance, in the absence of the health crisis and the additional expenditures, the budget deficit after 10 months would have been only 3% of GDP. The Minister of Finance ensured that no agreement with the International Monetary Fund is envisaged in the following period.

Still, the Fiscal Council in Romania estimates that by the end of the year, the budget deficit will be around 9.8% of GDP, which is 0.7 percentage points above the official estimate of the Ministry of Public Finance. In contrast, the Fiscal Council state that only 2% of GDP in the budgetary deficit was caused by the measures to combat the effects of the COVID-19 pandemic, therefore a very large part of the budget deficit is structural, which will enhance similar expenditures in the future. Such expenditures are caused by fiscal policy measures adopted by the Parliament during this year, such as the increase of the pensions by 40% and the growth of child allowances.

Given this situation, since April 2020 the European Commission launched the Excessive Deficit Procedure against Romania. At the end of the year, the conclusions of the European Commission show that Romania does not appear to be able to make the necessary adjustments to ensure that the excessive deficit is corrected in the near future. The autumn forecast indicate that the budget deficit will exceed 10% of GDP in 2020 and will continue to grow in the coming years. Besides the measure for counteracting the negative effects of the pandemics, the European Commission showed that important elements regarding the fiscal situation that were already present before the outbreak of the pandemic in 2020 have not changed, such as increases of pensions, of child allowances, or reductions in indirect taxes and social contributions for some categories of employees. However, for the moment, given the high degree of uncertainty that persists in the context of the coronavirus pandemic, the Commission

considers that no new measures are going to be ruled out related to Romania's excessive deficit procedure.

The main fear of the specialists was that this situation could lead to an unfavourable perception of the markets, which would cumber the interest rate for borrowing money internationally, in a context in which the need for financing is very high. Usually, large and growing deficits can lead to sovereign rating downgrades, so the decision of the rating agencies was expected with worry. However, all the three rating agencies confirmed Romania's previous rating. Standard & Poor's validated Romania's rating at "BBB minus / A-3" for long-term and short-term debt in both foreign currency and local currency and maintained a negative outlook. Fitch Ratings confirmed Romania's sovereign rating at "BBB minus" with a negative outlook, this being in the investment-grade category, recommended for investments. Romania's rating was supported by the moderate level of government debt, as well as by a GDP per capita and indicators on governance and human development, which were superior to other states that benefit from a rating of BBB category. In April this year, the financial evaluation agency Moody's kept Romania's rating in the category recommended for investors, confirming the long-term sovereign rating of "Baa3". Thus, Romania still benefits from favourable rating for investments from international financial evaluation agencies.

One of the good news of this year was the decision of the financial evaluation agency FTSE Russell to promote the Romanian capital market from Frontier to Secondary Emerging market. The main consequence is that larger investors will start trading listed shares, especially those included in the structure of FTSE indices. As a general evolution during this year, the Bucharest Stock Exchange registered an annual increase in the traded value, but its capitalization has not yet managed to recover the strong decreases from the first wave of the pandemic.

The difficulties of a large budget deficit were, however, manifested in a low capacity of the Government to provide supporting measures for the economy due to the lack of fiscal space. The Government's aid package included guarantees for loans, interest subsidy for working capital and



investment loans and facilities for companies experiencing financial difficulties, moratorium on bank loan repayment, accelerated VAT refund, the payment of technical unemployment, more money for supporting the business environment through various aid schemes, improvement in the absorption of the EU funds. Following intense and complicated negotiations at the European Council meeting in July, Romania benefits of a budget package of about EUR 80 billion for the next 9 years. In order to access the EU Recovery and Resilience Facility based on which Romania could use EUR 30 billion, the Government prepared a National Recovery and Resilience Plan which intends reforms and investments in several areas, with long-term effects on the economy. The Romanian plan, structured on 12 priority areas, was launched in public debate at the end of November and will be submitted for approval to the European Commission, the deadline being April 2021.

# **COVID-19 and Serbian economy in 2020**

**Institute of International Politics and Economics**

**Belgrade**

***Summary:** This year 2020 turned to be specific in many ways. The COVID-19 pandemic caused an earthquake in all macroeconomic plans and forecasts for this year and forced decision makers to deal primarily with repairing the harmful consequences of suspending or restricting economic activities, the impossibility of normal economic flows, the danger of poverty due to mass layoffs resulting from the fall in business activities and many other problems.*

## **COVID-19 pandemic and Government measures**

With a 6.1 percent growth rate in the final quarter of last year and since public debt has fallen below 50 percent of GDP Serbia had solid reserves for the crisis. The first case of COVID-19 in Serbia was reported on March 6, 2020. Serbia declared epidemic on March 20, 2020. According to many economists the COVID-19 pandemic is causing an economic downturn the likes of which the world has not experienced since the Great Depression during the 1930s, and negative effects on global economic output will be more destructive than of 2008 Global Financial Crisis. Plans for Serbia's economy has not reached its 4% growth target for 2020 and is facing, like many other countries, a recession.

The program of economic measures to support the Serbian economy and reduce the negative effects caused by the COVID-19 pandemic, worth 5.2 billion euros, was presented on March 31, 2020. The good communication between the economy and the Government of the Republic of Serbia, along with monitoring changes in the field, led to the harmonization of economic measures of the Government with the real needs of the economy to overcome the shocks brought by pandemics and

emergency measures. The envisaged measures include fiscal benefits, tax measures, financial support and direct benefits. This program was designed with two groups of goals in mind: the first group includes helping the Serbian economy, primarily the private sector, to maintain liquidity during a state of emergency, and the second group includes helping employees keep jobs and wages. This set of measures was designed at a time when it was believed that the crisis would last for several months, and that the economy would begin to recover on its own in the third or fourth quarter. Measures were successful and helped the economy to survive the first blow of the crisis caused by the pandemic, and also to prevent massive layoffs, but at the cost of massive public spending. At the end of July 2020, the budget deficit was approximately 2.76 billion Euros. The deficit is a direct consequence of non-selective subsidy program during the pandemic and decreased amount of VAT inflows in the budget.

Parliamentary elections were held in Serbia on 21 June 2020. Initially planned for 26 April 2020, they were postponed by a state of emergency due to the COVID-19. Since 2020 was also a national election year for Serbia, some of the economic measures were taken by the government to satisfy its electorate, for instance a one-time assistance in amount of 100 euro to all adult citizens.

### **Forecasts from EC, WB, and IMF**

According to the European Commission, Serbia's economy will have a moderate decline of 1.8 percent this year, thanks to the relatively short duration of the strictest closure measures due to the COVID-19 pandemic and significant support for mitigating the consequences of the crisis. Serbia's return to the situation before the COVID-19 crisis, and economic growth are expected in 2021, at 4.8 percent, and that growth will be based on investment and personal consumption. For 2022, Serbia is projected to grow by 3.8 percent.

World Bank analyzes have shown that the impact of Serbian government support measures on the economy has been positive, but that a

less generous but better targeted package could have the same impact. The point is that the hardest hit companies could receive more aid to divert pandemic effects even more, while the fiscal costs of the program would be reduced. The impact on poverty has been mitigated for now, but the state measures package to help the economy led to a record high deficit of 4.8 percent of annual GDP in the second quarter, with public debt growth of 6.1 percentage points from December 2019 to 59 percent GDP at the end of June 2020. According to the new economic report of the World Bank, the Serbian economy will be in recession this year after several years of solid growth, and the decline in GDP will amount to 3 percent, while in 2021 it is expected to grow by 2.9 percent.

The IMF has improved Serbia's GDP forecast for 2020, so it estimates a decline of 1.5% (not previously projected 2.5). The head of the IMF mission for Serbia pointed out that inflation is still low and that in 2021 it will remain within acceptable limits.

### **The state of economy**

Inflation in 2019 was stable at a low level, as it remained until the end of August 2020, with price growth amounting to 1.9 percent. After a moderate weakening of the dinar against the euro in 2019, the dinar retained its value during 2020, primarily due to NBS interventions in the foreign exchange market.

The real impact of the pandemic on the labor market will not become known until the end of the Serbian government's wage subsidy program. Estimates say that the unemployment rate in Serbia will rise from last year's 10.9 percent to 13.4 percent this year.

After the first shock, which followed immediately after the pandemic outbreak and lasted for three months, our foreign trade returned to the expected flows with a tendency to grow. After the end of the state of emergency there is a gradual recovery of economic activities, which was reflected in increased exports and imports. However, exports and imports in June and July 2020 were still not at the level of 2019. Full consolidation

occurs in August and September 2020, when both exports and imports are above the levels for the same period last year. In the period from January to September 2020, the largest foreign trade exchange was with countries with which Serbia has signed free trade agreements. EU members accounted for 60.9% of the total exchange, in second place are the countries of the CEFTA agreement with which we have a surplus (green corridors helped). It is difficult to predict future trade trends because it will depend on a number of factors that will affect them, such as the length and severity of the pandemic, global economic flows, the speed of recovery of various industries that suffered damage in the previous period, state interventionism, inflation, unemployment and other factors.

Crisis containment measures are also taking its toll on economic activity. Agricultural sector was severely damaged in March-May 2020, due to a ban of work on green markets. The sector of tourism is among those that has been affected the most. The projected loss in this sector for 2020 is 1 billion euros. The Serbian tourism sector will need at least two to four years to recover.

Serbia's GDP, after a strong growth of 5.1 percent in the first quarter of 2020, fell by 6.4 percent in the second quarter due to measures during the corona virus pandemic. This decline was due to a large decline in personal consumption and investment, which was partially offset by higher government spending and a positive contribution from net exports. Short-term indicators indicate that economic activity recovered during the summer. It is positive that the share of tourist services that have suffered damage is relatively small, as well as a good agricultural season to limit the decline of the Serbian economy in 2020.

### **Developments outside COVID-19**

Representatives of the state and business community from Serbia participated in the 50th World Economic Forum annual meeting 2020. Serbian Prime Minister and Siemens Deputy General Manager talked in Davos about the realization of additional investments. Japan Bank for

International Cooperation was interested in investing in Serbia which would provide significant financial support and security to Japanese companies. Up until now Japan's investments in Serbia are relatively small.

Serbia has sold its largest state-owned bank - Komercijalna banka to a Slovenian NLB bank for 387 million euros (83,23 percent of ownership). The Kopaonik Business Forum known as “Serbian Davos” points to emigration as one of the most pressing challenges for Serbia since a great number of those leaving the country are highly-qualified professionals: medical workers, engineers and IT experts. In global terms, according to the Global Innovation Index 2020 Serbia is ranked 53rd out of 131 countries. The most technologically advanced sector in Serbia is biotechnology with wide application in Serbian agriculture.

On September 4th, 2020, the President of Serbia signed Washington Agreement, where economic part includes infrastructure projects that should connect Belgrade and Pristina, support to the Serbian and Albanian SMEs, support for women's entrepreneurship, and various other development projects. Funding for these projects will be provided by the United States International Development Finance Corporation.

## **Conclusion**

Among the positive aspects of Serbian economy, before COVID-19 crisis, was stable macroeconomic indicators, good fiscal policy, good monetary policy (with a questionable policy of a strong dinar), tax reforms, reduction of public debt, relatively stable inflow of FDI, improved credit rating and more. Due to these strong bases in the form of macroeconomic stability, growth dynamics and fiscal space, the favorable structure of the economy (relatively large part of the Serbian economy produces basic so-called existential goods, for which demand did not fall significantly), crisis will not be devastating. In previous years, Serbia has transformed into a slowly growing economy with low inflation, a balanced fiscal position, declining public debt, lower external imbalances and a recovery in the labor

market, which has helped our economy respond to current challenges without major economic shocks.

Without the state measures the consequences for the economy of the COVID-19 would be much greater. Post COVID-19 changes will most likely include modified business models. Production positioning will generally be closer to customers in developed countries, which means that Serbia could become more interesting for EU companies due to its proximity. Also Serbia can become an interesting market for investments from China in production, which will be closer to the EU market.

The crisis caused by COVID-19 is expected to be far greater than that caused by the 2008 global financial crisis. For Serbia the problem of the secondary effects of the crisis remains, which could last for a longer period of time. The big problem is that in the meantime, the number of companies that will not be able to renew their business is growing, and thus the overall economic stability is becoming more difficult to sustain. Serbian economy is being restructured, more business and trade is being done via the Internet, the number of business trips has been reduced and a new norm is being created.

Serbia is still far from the European levels of prosperity, and the departure of the working age population is a major problem. GDP per capita is lower than that of comparable countries in Central and Eastern Europe. Also, there is a need for domestic capital investments and FDI from more technologically advanced areas. Unfortunately, due to COVID-19 uncertainty and economic crisis on the horizon, the economic reforms and other planned activities are in question.

# Economic developments in Slovakia in 2020

Martin Grešš

## Overview<sup>72</sup>

The development of the Slovak economy in 2020, as well as the economies of other countries of the world, was affected by the global coronavirus pandemic. According to the predictions of the National Bank of Slovakia (NBS), the Slovak economy will enter a recession in 2020. On the other hand, it should be noted that the predicted recession should not be as deep as expected in the second and third quarters of 2020. It is also likely that the current economic situation will be negatively affected or significantly worsened by the second wave of the pandemic. This will suspend the recovery of the Slovak economy which might decrease again at the end of this year. The coronavirus pandemic caused significant damage to the Slovak economy in the first half of the year. However, positive developments in the third quarter indicated a faster catching-up than expected during the first three quarters of 2020. The faster recovery was helped mainly by consumer demand as well as the return of industrial output to 2019 levels. However, it should be noted that the current second wave of the pandemic is likely to slow catching up, so the results of the fourth quarter of 2020 will not be as positive as in the previous period. The NBS also assumes that the recovery in exports and the resilience of consumer demand were largely one-sided. In the short term, there should be a slight slowdown in export performance. In terms of consumer demand, by the end of 2020, households are likely to slow down their spending due to prudence and imposed government measures (reduced shopping

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<sup>72</sup> Data in this report were extracted from NBS (2020a and 2020b) if not indicated otherwise.



opportunities due to the lockdown). There is an assumption that the economy will shrink slightly by the end of 2020.

### **Economic activity**

The decline in the Slovak economy is estimated at -5.7% this year, while in the second quarter of 2020, based on the development of the economy at the time, a decline of more than 10% was predicted and in the third quarter by more than 8%. The reassessment of the economic downturn this year is mainly based on better expected developments. The Slovak economy recorded the highest quarter-on-quarter growth between third and fourth quarters and lagged behind only 2.8% below the level of 2019. From a global perspective, the Slovak economy was also significantly helped by the faster recovery of Asian and US economies. This supported the revival of global trade, which benefited the Slovak manufacturing industry. The economic downturn and the adoption of government measures to support employment will cause a significant deterioration in government finances. The deficit is expected to reach 6.6% of GDP in 2020 and the debt to rise above 60% of GDP.

The Slovak economy contracted by 3.7% in the first quarter of 2020. Due to the longer duration of the emergency state in the first two quarters of 2020, it can be assumed that the Slovak economy reached the bottom of the recession during the second quarter. All components of gross domestic product fell, with the exception of private consumption, which only slowed down. Households were building up stocks of food and medicine before the expected closure, thus contributing to a temporary increase in consumer spending. However, these items were the only ones in the structure of household expenditure that still grew at the beginning of the year. In April 2020, the monthly indicators of the real economy fell to an all-time low. Measures to limit the spread of the pandemic have reduced economic activity to a minimum. Economic indicators fell even more on a year-on-year basis than during the financial crisis in 2008: industrial production fell by 42%, exports of goods by 27.7%, imports by 35.7% and total sales in

the economy by 31.9%. Gross domestic product fell by 8.3% quarter-on-quarter in the second quarter (12.1% year-on-year). The main negative effect of the coronavirus pandemic manifested itself at the beginning of the second quarter, with the economy bottoming out in April. Following the gradual opening of operations, the recovery of activity began. The relatively rapid recovery in economic activity took place in the third quarter, when the economy growing by 11.6% compared with the previous quarter. The improvement of the pandemic situation during the summer months made it possible to relax the measures and gradually catch up with the losses from the first half of the year.

Export growth resumed rapidly thanks to the automotive industry. As deeply the automotive industry pushed down export performance in the first half of the year, it contributed all the more to the recovery in exports in the third quarter, even beyond the growth of foreign demand. Exports met the deferred demand for cars and total exports rose above pre-crisis levels. However, the positive development is likely to be temporarily interrupted by the ongoing second wave.

Investment has recovered somewhat, but uncertainty remains, postponing companies' investment decisions. In the summer months, after the easing of measures, the investment activity of companies increased slightly. However, during the ongoing second wave of the pandemic, investment is expected to be postponed. This is documented by weak leading indicators and, from the monthly data, especially weakening construction output.

Consumer demand was resilient than expected during the crisis, reaching pre-crisis levels in the third quarter of this year. Private consumption recovered very quickly after the slump in the second quarter. In the summer months, in addition to a partial recovery of consumption of services, a large part of households also changed their preferences. They offset the lower consumption of services by increased expenditures on goods and largely met the deferred demand, but also the future demand for durable goods. Private consumption is expected to slow down by the end of this year.

## **Labor market and price developments**

Employment fell more sharply this year and will not begin to recover until the second half of next year. The year 2020 began with the stagnation of employment. Employment in selected branches of the private sector was 0.3% higher year-on-year in January, but stagnated month-on-month. At the beginning of the year (January), the decline in employment in industry and business activities continued. Employment in services grew in January due to strong domestic demand and favorable developments in tourism, although its growth rate slowed down. The number of employees fell in February, reflecting weak demand for cars. The negative development in industry in February also spilled over into a slowdown in employment growth in services. Employment declined in the first quarter due to the adverse impact of the coronavirus in March, when the fall in employment for selected sectors was the sharpest since August 2010. The unemployment rate rose at a record pace in April. The total number of unemployed increased by 34,000 persons month-on-month, while the total unemployment rate increased from 6.2% to 7.4% in one month. The number of employees fell sharply in most sectors of the economy, with the exception of the information and communication sector, where employment grew by 4.8% year-on-year. The main branch of industrial production lost 7% of jobs year-on-year. The excess of demand over supply on the labor market has been completely eliminated. Employment fell by 1.1% in the second quarter of 2020. Most industrial sectors saw a decline in employment, with the exception of the pharmaceutical industry. Employment fell by another 0.1% in the third quarter. The economic recovery has thus had a greater effect on households through labor income than through job creation. In the last two months of the third quarter, the recovery in economic activity managed to halt the decline in employment, to which both demand and structural factors contributed. The services sector began to recruit carefully during the summer months. However, the second wave will deepen the decline in employment in the services sector by the end of the year. On the contrary, industry could be largely immune to redundancies, as restrictions on the spread of a pandemic do not directly

affect it and some sectors face labor shortages. The decline in labor market activity was mainly due to the decline in labor supply. During the pandemic crisis, the fall in hours worked was very sharp and rapid, reaching a peak in the second quarter of 2020.

The faster recovery of the Slovak economy was also reflected in wage growth, which accelerated due to the increase in hours worked. However, it is necessary to take into account that the second wave of the pandemic at the end of 2020, together with the subsequent measures of the government, should again increase job losses, especially in the services sector, where many operations had to be closed. However, with the second wave of the pandemic, the government announced an intensification of aid to maintain jobs. The NBS estimates that these measures will save around 64,000 jobs over the duration of the anti-pandemic measures. On the other hand, wage growth is expected to slow this year, with growth driven mainly by the public sector. The growth of the average wage slowed down significantly in March due to the impact of the pandemic on employees' wages. The decline in labor productivity this year caused by the pandemic had an adverse effect on wage developments, especially in the first half of the year. Wages were dampened not only by a decrease in labor productivity, but also by the factor of paying for the treatment of a family member and incapacity for work due to a pandemic. If measures against the pandemic were not needed, the average wage would increase by 4.2% in 2020. However, due to government measures, wages will increase by only about 3.0%.

Inflation reached 3.2% in January 2020. The slowdown in the growth of food prices and administrative energy prices contributed to this value, while the development of industrial goods prices counterworked a more significant slowdown. Inflation slowed markedly to 2.4%-2.1% in March through May, in particular due to the fall in fuel prices and a moderation in the growth rate of food prices. In the second quarter, net inflation rose, mainly due to rising prices of non-durable goods and rising prices of personal care and catering services. In the last quarter, year-on-year growth in food prices stabilized at around 2%. The fall in energy commodity prices

in world markets has created a space for a decline in consumer energy prices. This will be most pronounced in regulated electricity and gas prices.

## **Conclusion**

Overall, we note that the economy of Slovakia entered a recession in 2020 bottoming out during the second quarter (April). All components of the gross domestic product fell during 2020, with a possible recovery in following years. Even though the third quarter has seen some improvements in basic macroeconomic indicators, current second wave will probably negatively tamper with these positive developments.

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## **Slovenian economy in 2020 strongly marked by the epidemic**

**Tina Čok**

***Summary:** Actually, every day in 2020 was marked by the escalating measures against the spread of the coronavirus, and there was an increasing question of how and to what extent the virus can also affect people's wallets. The epidemic is primarily a health problem, but tackling it raises a whole range of other non-health issues. These are problems with the supply of food to the population, economic problems and, of course, financial problems. The pandemic has threatened entire social subsystems. Below are some of the more important economic stages of this turbulent year; how the country coped with the pandemic, what impact this had on GDP and what the planned recovery strategies are.*

### **Government intervention measures to control and reduce the harmful effects on the economy and population in the long term**

The COVID -19 epidemic revealed the unpreparedness of states for an event of such magnitude. The adoption of unpopular measures to contain the epidemic also caused discontent among some, as did some economic measures to support and mitigate the effects of COVID -19.

Following the confirmation of the first case of infection with the new coronavirus in Slovenia on 4 March last year, the epidemic was declared on 12 March by the then government of Marjan Šarec, which also took the first steps to contain the spread of the virus.

Since the announcement of the pandemic, the government has already adopted 7 anti-corona packages in an attempt to contain the COVID -19 epidemic in Slovenia, but also to mitigate its economic impact.

On April 2, the so called first mega anti-corona law entered into force; a package of measures for the population and the economy. The "anti-corona" measures applied mainly for the fields of taxation, labor and social security. The aid given to the economic sector can be summarised as extraordinary aid in form of monthly basic income for the self-employed, reimbursement of wage compensation and exemption of SSC payment, partial exemption from SSC for private sector employees and crisis allowance and healthcare and health insurance compensations.

The first three laws attempted to eliminate or mitigate the effects of the epidemic in the first wave, when they were not yet severe, if at all, as the period of restrictions was relatively short and businesses still had some reserves. This was followed by a somewhat more relaxed summer period that allowed the economy to breathe again, if only for a short time.

Laws 4-7, in particular 6 and 7, introduced measures and aid for companies affected by the second wave. This continues to severely restrict public life in Slovenia and is also hitting the economy hard, especially small and medium-sized enterprises in the service sector, which have been almost completely closed for more than two months and are losing most of their revenues. The provisions of packages 6 and 7 are therefore particularly important. In package 6, some existing measures have been extended or modified, such as reimbursement of salary compensation for waiting for work, reimbursement of salary compensation for employees due to quarantine or for employees unable to work due to force majeure, stopping public transport or closure of borders, *deferred* payment of taxes and contributions, changes in the guarantee system for business loans, deferral of taxes and contributions, and some new measures have been introduced, e.g., defraying the cost of voluntary seasonal influenza vaccination, partial defrayal of fixed costs, exemption of rents when owned by the state or municipality, and exemption from import duties and VAT for supplies and purchases of protective and medical equipment within the European Union.

It is generally believed that the intervention measures for the economy were right. Co-financing of waiting for work and part-time work,

deferral of loans and other liabilities, partial coverage of fixed costs, liquidity measures, tourist vouchers will largely help the economy to overcome the crisis. The government is mainly looking at the fall in revenue as a criterion for state aid. This is a fair criterion to help even the worst hit sectors. Nevertheless, more targeted measures for individual industries would also help.

### **Poor epidemiological situation and economic trends in 2020**

The economic outlook for this year forecasts a 6.6% decline in GDP. However, after a deep slump in the second quarter, the economy recovered more than experts predicted in the third quarter. A further decline was expected in the final quarter, but it was less severe than in the spring, helped by adjustments by businesses and consumers to new circumstances. For example, the economic impact of the second wave of the epidemic mainly affected the services sector rather than international trade activity. Despite a further deterioration in the last quarter, a strong recovery in the third quarter is expected to result in a similar decline in GDP for 2020 as a whole as forecast in the autumn. Due to the aggravated epidemiological situation, the more visible economic recovery is delayed towards the second quarter of 2021. As a result, expected economic growth in 2021 is lower than forecasted in the autumn.

This year, the decline in total economic activity was due to a fall in value added in most sectors of the economy, most notably in catering, recreation, sport, culture and personal services, and accommodation services. Slightly lower, but still significant, is the decline in transport, trade and manufacturing. Due to negative influences from the international environment as well as foreign and domestic containment measures, a sharp decline in exports and imports is expected this year. Due to the decline in demand and the great uncertainty affecting companies' investment decisions, their investments are also shrinking, both in buildings and in equipment and machinery. Public investment is expected to increase slightly. Inventory liquidation will also have a significant



negative impact on GDP growth. Due to restricted movement and limited supply during the quarantine period when no spending could take place, as well as heightened uncertainty and cautious savings, private consumption has also fallen more sharply, although disposable income with government support measures is similar to last year. Government spending will strengthen in this crisis situation.

The recovery will be gradual and differentiated by individual activities, with some restrictive measures maintained in Slovenia and its trading partners. The main risk to the realization of the forecast remains related to the duration and depth of the epidemic. The prolonged continuation of the aggravated epidemiological situation with possible new waves of infection and the associated tougher restrictive measures and renewed closures of economies will continue to pose the greatest risk to a stable recovery.

### **Slovenia's recovery plans**

#### **primarily focus on a sustainable and green transition**

In November 2020, negotiators from the European Parliament and the Council of the EU reached a political agreement on a package to address the EU's COVID -19 pandemic, including a multi-annual financial framework for 2021-2027 and a recovery instrument. This € 1.8 trillion package will help rebuild Europe after the COVID -19 pandemic to become greener, more digital, more resilient and better prepared for today's and tomorrow's challenges. 30% of EU funding will go to tackling climate change, the largest share of Europe's biggest ever budget.

However, if the average absorption capacity (absorption capacity of EU funds) of Slovenia was 300-400 million euros per year, the state must now make maximum efforts to prepare the appropriate content and increase this absorption capacity. In the coming years, Slovenia will have to draw down a billion or more funds per year, which will also have to be properly invested.

Slovenia had to prepare the final version of the national recovery

and resilience plan by the end of 2020, to be adopted at EU level. Slovenia's main objectives in preparing the plan were to ensure the resilience of the health and long-term care system, mitigate the socio-economic consequences of the pandemic and ensure the fastest possible economic recovery by investing in appropriate infrastructure as well as in research and innovation and strengthening an appropriate business environment for companies.

The document, which is divided into ten areas, envisages reforms to the labor market, social protection, the health system, the financial and taxation system, and de-bureaucratisation, while five are the so-called development pillars to be supported by structural changes. These areas have been divided into a sustainable and green transition, a digital Slovenia, a supportive environment for businesses, a knowledge-based society, and tourism and culture.

### **Conclusions**

In Slovenia, despite the rather unstable political climate, the general opinion is that the anti-corona measures taken, mainly based on a decrease in revenues, are going in the right direction. Nevertheless, experts warn that more targeted measures for individual sectors would also be useful. Possible solutions include vouchers for culture, sports, recreation, fairs, tourist attractions, restaurants and so on, as well as a temporary reduction of VAT for certain services. As vaccination of the population indicates the end of the epidemic, the key to economic recovery is to stimulate demand. The anti-corona development package would also be important for increasing the competitiveness of the Slovenian economy. Subsidies for development staff, projects, investments would make a significant contribution to the development of the economy. Such measures should find a place in the eighth package, if it comes to that, of course.

## **Part III Review of Social Development**

# **Albanian society in 2020: stranded between frustration and exhaustion**

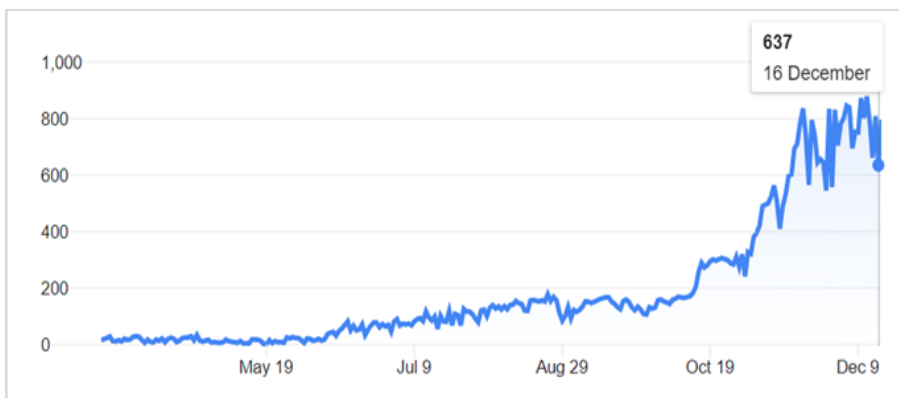
**Marsela Musabelliu**

***Summary:** 2020 has been not been kind to humanity! While claiming hundreds of thousands of lives, the shockwaves of the crisis brought divisions and was upended by chaos. In Albania, as in many countries around the world, the re-dimensioning of social life in the name of health related concerns, has brought immense changes not only in the relations between the elements of a society, but also in the human relationship with oneself. Anxieties, fears, insecurities have reached their peaks and people are extremely worried as this is an existential crisis which is affecting overall wellbeing, health and ultimately life. And what is fuelling even more exasperation is the fact that it is not known when this will be all over.*

## **How COVID-19 impacted the Albanian society**

Albanian society as whole is entered 2020 with a major headline in the priority list: reconstruction. What was the most urgent of the situations is the accommodation of thousands of people left homeless after the earthquake of November 2019. However, priorities shifted soon. While COVID-19 was spreading in neighboring countries since February, in Albania the first cases were detected in March. Form that day on, nothing was the same, every Albanian was affected by the situation.

### *Covid-19 new cases in Albania starting from March 8<sup>th</sup> 2020*



*Source: CSSE at JHU*

Even though the majority of citizens received with concern the initial news, there was not evident sign of true fear or panicking initially, which led to the most of the daily activities being held as normal. When the number of confirmed cases was increasing, the government decided on implementing a total curfew for the entire country giving so the chance to specific authorities to better monitor the suspected cases. The lockdown lasted for about three months and all main activities were paralyzed. The panic was palpable in the days after the first confirmed cases however, for Albania, a number of valuable lessons on coping with this pandemic were taken from the sour experience of the neighboring Italy.

The total lockdown of the country disoriented everyone and life as they know was interrupted. Either some accept it or not, 2020 was challenged with extraordinary times, which needed extraordinary measures, attitude and self-containment. The response from the government was swift and alarmist, but ultimately it was up to the entire society to behave diligently and responsibly. The daily life of Albanians turned into a severe threat to the people and authorities, and it was testing its capabilities and limits.

In October 2020, Albania was officially deep into the second round of national restrictions due to COVID-19; this after the total lockdown

occurred in spring. By all statistics into consideration the second wave is more intense and more threatening than the first, further limitations are announced and put in place and citizens are trying to adapt to the “new normal.”

### **COVID-19 and healthcare system**

The main and initial problematic of Albanians when dealing with the outburst of COVID-19 were the insecurities and mistrust in the healthcare system, which further increased the general feeling of anxiety. It is a system which by many standards is unequipped to handle the outburst of a pandemic - the entire society is aware of it and all government entities are aware of the situation. From suicides in COVID hospitals, long lines of ambulances outside of the same, to thousands of citizens paying out-of-pocket money for treatment, the despair of the ones hit by the pandemic reached unprecedented scale. However, backwardness in healthcare system did not affect everyone the same; for the persons with consistent financial means, treatment was available in many different ways. If we observe the cures and the treatment received by wealthy Albanians than it is immediately realized that the disease hits differently depending on one's status. In times of a health emergency all who had some financial means, chose private facilities or went abroad for treatment. When some can afford to live, and some not, group psychology enrages, and it was translated in social unrest. As tragedy has hit hard, it was only hoped that in a country where everything else is a gamble, at least health should be the priority. However, what emerged on the other side is high self-reliance and a clear group identity makes it possible to be close to each-other in times of need, by circumventing or altogether bypassing the role of the State in times of misfortune, and this has been more visible than ever in 2020. It has been noted that citizens would first address their family and friends for help, and after the health authorities.

## **The most vulnerable of the society – poverty on the rise**

As it commonly happens in cases of severe emergencies, the first to be hit the hardest by the situation created, are the most vulnerable of a society. COVID-19 brings unprecedented threats to the individuals and communities marginalized; as the most vulnerable often have the least access to the information, resources, and care, which makes it impossible for them to stay healthy and safe. The elderly living alone; persons with special needs; Roma communities; unemployed and the ones working in informality; and families living on social assistance are the more exposed groups. According to World Bank, in Albania at least 14% of the population lives in absolute poverty, which means that at least 400,000 people are exposed to its serious consequences, such as: lack of food, lack of means for personal hygiene, untreated diseases due to lack of medicine, etc. All of these people are exposed to serious health risks and potentially food insecurity. 2020 has further impoverished Albanians by a drop of 12% in per capita Gross Domestic Product (GDP), in relative terms the estimation of 45% of Albanian living in moderate poverty (with less than 5.5 \$ per day) is also an alarm bell for the present and near future. Prioritizing these people with little or no opportunity to generate income becomes crucial in times of crises when they are exposed the most.

## **Stalled demographic**

Travel restrictions, recession and lower rates of migration to European Union (EU) countries imposed new demographic trends for 2020. This interruption of migration flows impacted mainly young Albanians, who in thousands would leave the country either for a seasonal job usually in Italy and Greece, or forever. Forced to stay in their home country, usually under the grip of unemployment, this segment of the society is the perhaps the most hopeless of all. Free movement of Albanian citizens into the EU Schengen Zone is one of the very limited channels of extra income for Albanian households, that channel in 2020 was seriously harmed and so was the financial survival of thousands of household.

Furthermore, according to the latest data from Eurostat 22,000 Albanians were denied entrance or re-entrance in the EU countries, making Albania so third on the list after Morocco and Ukraine. In many cases during the past decades, migration has been the very “pressure relief valve” the overall discontent of the society; in 2020 there is no such escape, and pressure is rising.

### **Social unrest: crime, protests, strikes and more...**

As the keyword for social behavior has been frustration, the chances for social unrest increase exponentially. As soon as the lockdown of the country was lifted, students protest in June, prior protests for the National Theater as well as clashes between the State Police and owners of illegal buildings on the coast before demolishing them in mid-June, were just a hint of what was about to come.

Ballsh' oil refinery strike, a strike that went on for months, started with the workers, their march to the capital, than the hunger strike, after their wives hungers strike, and for a moment there were rumors that they would take also the children on the same, just demonstrated that survival is the main concern for Albanians.

Criminal events, in the capital and around the country were an illustration of some desperate circumstances where Albania is not finding peace and in many aspects the situation appears out of control. Crime is present in all the countries of the world and it has it devastating ramifications for the entire society, however, what was happening in Albania in 2020 is show of upper-hand and self-confidence of the most dangerous elements of the nation.

To give more sorrow to an already dramatic situation, in the beginning of December a young man was killed by a policemen in Tirana, and his death was accompanied by several days of protest in the capital and all main cities. The fatal event sparked yet another discontent among young Albanians which took the streets of the nation asking for justice.



## **Conclusions**

This pandemic is ruthless to not only humans, but also to lifestyles - it has affected and will affect social, family and interpersonal relationships. Society will have a new perspective at future reality, while COVID-19 is reminding everyone that when confronted with health emergencies, no one can make it on its own.

As the pandemic hit hard every single aspect of peoples' lives, the coming to terms with the outcome of COVID-19 is going to be challenging for some and agonizing for others. For the Albanian reality, this crisis has only widely exposed preexisting issues and social concerns. Alarm bells should ring for a nation that struggles to keep afloat and that is afflicted at the core. Once again, it took an extreme situation to unveil what the Albanian society really looks like: a distorted reality where severe shortcomings are nicely sugarcoated, poverty is rampant and the marginalized are left to their own devices.

## **BiH social development in a year of coronavirus pandemic**

**Zvonimir Stopić**

***Summary:** The SARS-CoV-2 coronavirus pandemic outbreak in Bosnia and Herzegovina was the single most important event in the country since its occurrence in March 2020. News of the spread of the virus, overloaded almost all of the spheres of individual and public life, urging media, politicians and the public to focus mostly on this single issue. This briefing will review the general impact of the coronavirus on Bosnia and Herzegovina in 2020.*

The SARS-CoV-2 coronavirus first appeared in Bosnia and Herzegovina on 5th of March 2020. Following the first confirmed cases in Republika Srpska's city of Banja Luka, other cities and towns began reporting the appearance of the coronavirus soon after. By March 21st, the coronavirus' spread was enough for both the Republika Srpska and Federation of Bosnia and Herzegovina entities to introduce a curfew that lasted from 8pm to 5am, excluding people providing transport of essential goods. The Federation of Bosnia and Herzegovina also banned movement of all persons under the age of 18 and over 65. However, on April 24th, the Federation of Bosnia and Herzegovina decided to abolish the curfew, allowing the citizens under 18 and over 65 to leave their homes three times a week. In Republika Srpska movement of persons aged 65 and over was prohibited except on Tuesdays and Fridays from 7am to 10 am. All public transportation was suspended, taxi services limited. Only personal vehicles were allowed. Cafes, restaurants and retail stores were closed and public gatherings banned. Only food stores, pharmacies, gas stations, post offices and banks remained open with reduced working hours. Kindergartens, schools and universities were closed. March ended with 420 confirmed

cases: 226 in Republika Srpska, 160 in Federation of Bosnia and Herzegovina and 6 in Brčko District. On March 31st, there were 13 deaths related to coronavirus reported in total.

By the end of April, the spread of the COVID-19 coronavirus disease seemed to be getting under control. The significant drop in number of infected people, as well as the lack of increase of the death-rate, prompted the Government of Bosnia and Herzegovina to abolish some of the restrictions, such as the curfew or the movement of the people. Although it looked like Bosnia and Herzegovina was close to defeating the COVID-19 coronavirus, experts and politicians continued to be careful and ready to implement all the previously abolished restrictions at significant signs of the emergence of new coronavirus clusters. April ended with 1,757 confirmed cases in total: 820 in Republika Srpska, 918 in Federation of Bosnia and Herzegovina; and 9 in Brčko District. There were 69 deaths related to coronavirus in total at that time.

The initial drop in new cases of coronavirus, measured at the end of April and the beginning of May, instigated further relaxation and the lifting of many of the measures implemented in the previous months, however, which may have resulted in an increase of new cases and coronavirus related deaths in May and June. On June 12th, a total of 2,893 people had been infected with the corona virus in entire country, while 163 people died. The number of 1,700 cases, registered in March and April, was increased by little less than 1,200 new cases during one month and a half which followed. Almost one hundred new coronavirus related deaths occurred in the same period, in contrast to the 69 registered in March and April. Number of 2,000 was surpassed by May 7th and 3,000 June 15th.

In mid-July, Bosnia and Herzegovina numbered more than 8,000 confirmed cases, which indicated that the growth rate increased significantly. By August 17th, Bosnia and Herzegovina reported 16,000 and by September 16th, 24,000 new cases. Out of this number, little over 16,000 people recovered from the disease, while little over 700 passed away since the beginning of the pandemic. At that time, the rate of spread

of COVID-19 in Bosnia and Herzegovina roughly corresponded to the rate of spread reported in the neighboring countries.

On October 14th, the number of registered cases in Bosnia and Herzegovina climbed up to 31,655, which was around 8,000 cases more than at the same time in September. This rate of measured spread (8-9,000 per month) roughly corresponded to the rates measured from July to September. Out of this number, 20,588 cases in total was reported in Federation of Bosnia and Herzegovina, 10,731 in Republika Srpska and 335 in District of Brčko. Until October 14th, Bosnia and Herzegovina counted 958 people who passed away from COVID-19 in total, with 609 belonging to Federation of Bosnia and Herzegovina, 328 belonging to Republika Srpska and 21 to District of Brčko. Except in the case of District of Brčko, where the death rate relative to the number of confirmed cases exceeds 6 %, the rate for the other two entities continued to be at around 3 %.

The new school year 2020/2021 began with combined teaching programs (classroom teaching and online classes). Teaching was conducted in smaller groups of pupils, with shorter classes and respect of strict sanitary rules (wearing masks is obligatory for teaching staff, and recommended for pupils). In both entities, schools were closed for one week following the country-wide local elections on 15th November, to be disinfected due to their use as voting locations.

From October 25th, restaurants, bars, cafes and other catering facilities in Republika Srpska were working with reduced hours. This restriction was extended from November 17th, and the Government of the Republika Srpska additionally limited public gatherings to 50 participants and private ones to ten, as well as banned spectators from being present at sporting events. On November 10th, the Government of the Federation of Bosnia and Herzegovina instituted a new entity-wide curfew active from 11pm to 5am, with the goal of limiting social and festive gatherings. With the same decision, the Government also limited the number of participants allowed at all gatherings to 30 in a single location.

Cumulative confirmed cases of COVID-19 exceeded 70,000 in Bosnia and Herzegovina by November 15th. Compared to the same date in previous month, the number more than doubled. This dramatic change made the rate of spread of coronavirus in Bosnia and Herzegovina, which was more or less consistent from July until October (8-9,000 per month), to more than quadruple in just a single month. Out of the 72,682 cases confirmed by November 16th, 46,092 originated from the Federation of Bosnia and Herzegovina, 25,456 from the Republika Srpska and 7,336 from the District of Brčko. By the evening of the same day, the number of deceased from COVID-19 in all of Bosnia and Herzegovina exceeded 2,000, more than doubling the number of COVID-19 related deaths registered on the same day in October. The number of tested people was also drastically increased in the second half of October and first half of November, cumulatively reaching 375,000 in total (more than 10 % of the population). A total of 107,604 tests was done between October 15th and November 15th, meaning that currently little less than 40 % of testes done in Bosnia and Herzegovina ends up showing positive.

On November 26, Bosnia and Herzegovina ranked 38th in the world regarding the number of confirmed cases (2,402 cases per 100,000 inhabitants), 18th globally in terms of the number of active cases (941 cases per 100,000 inhabitants) and 22nd regarding fatalities (71 cases per 100,000 inhabitants). As the year was coming to an end, the wearing of face-masks was mandatory in public (everywhere indoors and outdoors whenever it is not possible to maintain a distance of two meters) and gatherings had a limited number of participants allowed (numbers vary in the entities). Intensified controls of business entities and catering facilities were performed, while the penalties, such as temporary closure of businesses, were imposed where sanitary measures are not respected

The latest pandemic update from December 7th showed that there were: 439,811 tested, 94,944 confirmed, 32,444 active and 59,488 recovered cases in Bosnia and Herzegovina in total. Since the beginning of the pandemics, 3,012 people died from the COVID-19.

## **Conclusion**

Important social themes like continuous nationalistic tensions and migrant crisis in Bosnia and Herzegovina were overshadowed by the COVID-19 pandemic. Although the initial measures undertaken by the local, entity and state governments could be considered timely and rational, they could not stop the spreading of the virus, but did significantly help put the situation under control in spring. The consequence of the beginning of the pandemic was a show of joint cooperation of all of the state institutions of Bosnia and Herzegovina. COVID-19 pandemic caused an unusual national situation in which all entities, their political representatives and the governments on all level got one clear common goal. After the summer and a relatively stable trend in the number of COVID-19 cases in the second half of August and throughout the month of September, the situation significantly worsened soon after, with an exponential increase in the number of cases reaching a new all-time high in mid-October. The situation continued to deteriorate until late November, when the number of new cases slowly began to be compensated by recoveries, creating an apparent stabilization in the growth of active cases. Still, as the numbers in December showed, the ending of the year 2020 did not bring the end to the pandemic.

# Overview of the Bulgarian social development in 2020

Evgeniy Kandilarov

***Summary:** As for all other societies in the world, the Bulgarian year 2020 was heavily impacted by one of the biggest challenges for the population - Covid 19 and the global pandemic caused by it. The virus has caused many social problems, the scale and consequences of which cannot yet be fully calculated due to the simple fact that this process continues and there is still no clear prospect of whether and when it will finish.*

## **Bulgarian healthcare system**

On the first place, the pandemic has created a huge problem related to human health and life. Although in the first wave of the pandemic during the spring Bulgaria was relatively weakly affected in the second wave of the pandemic in the last quarter of the year the country reached record levels of infection and mortality in Europe. November 2020 is the deadliest month in Bulgaria for the last five years. This is according to preliminary data of the National Statistical Institute (NSI) on mortality in the country, published at the beginning of December. In November, 15,953 people died in Bulgaria, with an average of about 8,300 in the same month over the past 5 years. The increase is over 92%. The difference of more than 7,600 people includes 2,756 who died of coronavirus in that month (they are calculated according to official data of the Unified Information System). Among other cases (a little under 5,000), according to the specialists, again a major role plays the epidemic. The comparative statistics shows that in Bulgaria the mortality rate is about 3.2%, and worldwide it is 2.2%. According to the specialists one of the key reasons for the high mortality from coronavirus are the chronic diseases of Bulgarians and the poor health status of the population in general.

Another reason is the status of the health care system in the country. The pandemic revealed one of the most painful and threatening social problems for Bulgaria. It is about the poor condition and lack of proper functioning of the health system in the country. This includes the condition of hospitals, their equipment and facilities, as well as the number of doctors, nurses and medical staff in general. One of the most significant problems that has emerged is the fact that in many places around the country people have virtually no access to medical care, mainly due to the lack of functioning hospitals as well as lack of enough medical staff. For the whole country there are approximately 30,000 doctors, about 7,500 dentists, and as many pharmacists. There are about 45,000 health care professionals. The number of the general practitioners is about 4,500. The lack of medical professionals is particularly acute outside the capital Sofia. The staffing crisis predates the pandemic, as Bulgarian medical professionals have flooded out of the country, lured by better career prospects and higher payment in Western Europe.

At the same time the infection rates among medical professionals is also on the rise. More than 6,000 medical professionals have been infected with the coronavirus since the start of the pandemic, 2,000 of whom are currently sick. The number of infected medical professionals is deeply worrisome, given that 60 percent of the doctors are over 50 years old.

Another extremely important problem turned out to be the poorly structured and inefficiently functioning emergency medical care. This is due to the lack of doctors working in this type of medical service, as well as due to the lack of ambulances, equipment, etc.

In the midst of the pandemic, this led to a situation in which many people in need of emergency medical care were forced to wait for an ambulance for hours and then travel hundreds of kilometers to other cities to find a hospital to be admitted.

So having escaped the worst of the outbreak in spring, Bulgaria was slow to tighten containment measures as cases began to rise in the fall. At the same time, decades social, economic and political problems have



eroded public trust in institutions and undermined people's willingness to follow state orders. Finally Bulgaria started to pay the price, with an already dysfunctional health system weakened by years of medical professionals leaving the country now stretched to the limit. At the end of the year the system was overwhelmed. In the second half of November, between 30 and 44 percent of tests were coming back positive. At the same time It is clear that when there are full hospital, effective treatment for all cannot be ensured.

During the summer, the country had been paralyzed by a wave of anti-government protests against a series of political scandals and endemic high-level corruption. The demonstrations prompted the Prime Minister Borissov to reshuffle his Cabinet, which included bringing in former hospital director Angelov as the new health minister.

A wave of pandemic-related disinformation and conspiracy theories has also blunted the response to the virus. Between 17 and 23 percent of Bulgarians think that the coronavirus does not exist. That has combined with extreme distrust of government. According to a recent EU Barometer survey, 74 percent of Bulgarians said they don't trust regional and local authorities to take the right measures to tackle the economic and social impact of the crisis.

### **Bulgarian education system**

Another very important social area that was severely affected by the pandemic was the education system. As in many other countries, some of the measures against the spread of coronavirus were related to the closure of schools and universities and the transition to distance learning and remote teaching.

This posed an incredible challenge to Bulgarian education for both teachers and students, who were completely unprepared for such a change, both technically and mentally. Although the school year continued and was not interrupted, the situation raised serious doubts and social debates about the actual quality of the educational process and the long-term

consequences related to possible educational gaps and inefficient learning of the study material.

In a few days, the schools and universities in Bulgaria managed to reorganize their activities and move to remote learning. It turned out that a large part of the students and not a small part of the teachers in the country do not have even technical devices to be able to switch to distance learning. That is why the government was forced to buy a large number of computers and tablets, which were provided to students and teachers in need.

The real results of this turmoil in the country's education system will be assessed only after some time. In any case, many Bulgarians are deeply concerned about the threat of a complete collapse of the educational level at all stages of the educational process.

### **The unemployment issue**

The other most important social problem during the year caused by the pandemic was related to unemployment. The first lockdown - the period of the state of emergency from March 13 to May 13, 2020 - led to an increase in the number of unemployed by about 100 thousand people, as the officially registered unemployed in the country reached 300 thousand people. The first weeks of April were particularly difficult - there were queues in front of the employment offices, and the peak was on April 6, when more than 9,000 people registered at the offices in just one day.

The end of the state of emergency was followed by a period of gradual recovery. From mid-May to the end of November, the outflow of labor offices steadily prevails over the inflow. The number of registered unemployed gradually dropped to below 220,000 at the end of November. It should be noted, however, that this decline in the number of unemployed does not automatically mean that the labor market has recovered. On the contrary - a large part of the outflow of labor offices is due not to those who came to work, but to those who dropped out of registration. This means that although the number of officially unemployed is declining, a solid part of

the lost jobs have not been restored and, accordingly, the number of lost labor income during the year is more than the growth of the unemployed.

The downward trend in unemployment reversed with the entry into force of the second (partial) lockdown in December. For the first two weeks of December the number of unemployed increased by about 8 thousand people. However, the impact of the second lockdown on jobs is significantly lighter than what happened in the spring. The data show that by mid-December the inflow to the offices has calmed down and is gradually returning to the levels before the entry into force of the new measures. While this is in line with expectations of a milder negative effect of the second lockdown, the extension of the measures until 31 January 2021 is an important point. Decisions to lay off workers in early December are based on the expectation that many of the measures will be released on 21 December 2020. Extending the measures until 31 January 2021 will lead to a review of some decisions and a new increase in the number of unemployed in December 2020 and January 2021.

**In conclusion** I would like to draw attention to the attitudes of Bulgarians at the end of the year and their feelings about the past year. Undoubtedly, the pandemic has affected badly the professional, economic and health aspects of people's lives. According to recent opinion polls, although traditionally Bulgarians have a positive attitude at the end of the year, this time 80% of people believes that 2020 was a bad year for Bulgaria. Personally, however, for 47% of Bulgarians the year was bad, and for 39% - good. The coronavirus situation also affects the feeling of happiness. The shares of Bulgarians who declare themselves happy (46%) in 2020 and those who were not (44%) are almost equal. Most of the youngest between the ages of 18-29 are feeling happy. Among those over 70, more than twice are those who say they were not happy in 2020. At the same time it should be noted that according to the social surveys Bulgarians find out that the measures against COVID-19 also have their good sides - they spend more time their families.

Finally, despite the discovery of a vaccine against COVID-19, Bulgarians remain pessimistic about the coming 2021. Nearly a third of

respondents believe that 2021 will be a better year for Bulgaria, while 44% believe that the year will be worse for the country. The expected economic consequences of the pandemic probably also strengthen the pessimistic attitudes of Bulgarians for next year. When asked about the expectations for 2021 personally, however, a larger share are of the opinion that this will be a better year (39%) and 29% a worse year. The same demographic dependencies are again registered on both issues as in the assessment for the past 2020. The youngest are the most optimistic for 2021, while the oldest remain the most skeptical.

## **A summary of 2020 key social affairs in Croatia**

**Valentino Petrović**

***Summary:** This paper will tackle two dimensions of social crisis that occurred as a direct consequence of COVID-19 pandemic in Croatia: education system and fight against violence. Both of these problems are large in scope and encompass much more than usual and narrow understanding as something that would inevitably happen. On the contrary, these two problems have been petrified in Croatia for many years now, but the COVID-19 circumstances helped in the process of revealing and recognizing them.*

### **Introduction**

The year 2020 has been quite stressful for Croatian citizens due to several intertwined reasons, most of which are produced as direct consequences of COVID-19 pandemic. However, unlike other European countries, Croatia had to face with several other challenges such as the March earthquake that hit Zagreb and caused massive damage to the city's infrastructure as well as to mental well-being of people. Furthermore, the COVID-19 circumstances and the post-earthquake panic have provoked the appearance of Croatian politicians in media probably more than ever before with their back-to-back press conferences. At first, people did recognize this as a positive signal and everyone was looking for some reassuring words from either decision-makers or the Civil Protection Directorate.

However, after some time citizens started to lose their confidence as it was clear that the political sphere has subtly sneaked into their lives. The feeling of anxiety and powerlessness was further enhanced by the constant and ruthless media-bombing with news regarding the deterioration of relations between the Prime Minister and the newly-elected President. In

addition, it appears that many people started to cherish some aspects of life that were previously taken for granted. When Croatia implemented the online classes for children in primary and secondary schools during the first wave of the pandemic, it was clear how important was the social aspect of education. Furthermore, those who were instructed to work from home would soon realize that the generated level of commitment and dedication is higher when they are working in offices.

### **Education System**

It appears that the COVID-19 pandemic has helped to reveal some major deficiencies in Croatian school system that have been present, but undealt with in previous years. Since the inception of online classes for children in primary and secondary schools introduced on 16<sup>th</sup> March, we could witness the irreversible effect of what can be called a systematic neglect of inequalities between Croatian children and families. After it was revealed by the Ministry of Science and Education that schools are required to introduce an online model of teaching which consists of television broadcasts and internet-oriented classes, many concerns were pointed into socio-economic disparities between those who live in i.e., eastern Croatia and coming from rural areas from those who are situated in some of the bigger cities. Of course, not all families have an equal access to technology necessary for their children to attend classes, while some families with even lower standard do not have internet access at all. Moreover, there are schools where working conditions and methods used for teaching children are stuck some 10-15 years in the past, therefore, such schools could not provide the technology needed for online courses in the first place. Regardless of COVID-19, Croatian education system is suffering from a decade-long problem of insufficient, even dangerous infrastructural conditions, whereby some schools in Slavonia region are literally falling apart.

On a positive note, it became apparent that children much more prefer going to school and listening to teachers in person, rather than having the

classes via television and computer screens. This only confirms the assumption that teachers should not merely transfer their knowledge to children, but perhaps should serve as life-long educators necessary to socialize our children and broaden their understandings of some crucial ethical questions in life. Moreover, this crisis has shown that parents would often find it difficult to work from home and at the same time take care of their children's activities such as helping them with school obligations in the absence of teachers. Nonetheless, the study conducted by the Department of Psychology of the Faculty of Humanities and Social Sciences on consequences of Zagreb earthquake and COVID-19 pandemic has shown that two-thirds of parents said that they were spending more time with their children and that children would often help them with housework. However, this does not change the fact that children's natural habitat are school halls and that many of them were eager to return to school after the summer break.

### **Family Violence and Violence Against Women**

Another social aspect that has to be underlined is the rise of family violence and violence against women that has skyrocketed during the corona crisis. The restrictive measures and measures of social distance that were imposed by the Civil Protection Directorate to reduce any kind of larger gatherings caused many people to spend more time at home, while some even started to perform their professional duties from the coziness of their living rooms. On a recently held session of Gender Equality Committee of Croatian Parliament, Marija Selak Raspudić, the president of the Committee, expressed her concerns due to a significant increase of the domestic violence offences in Croatia. She emphasized that almost all civil society organizations that provide protection to victims of domestic violence have reported a rising number of reports in the period between early March to late October, when comparing the numbers with the same period last year. Furthermore, she addressed the issue of numbers inconsistency when taking into account the official reports of the Ministry of Interior. Apparently, the reports provided by the NGOs are showing

much more family violence offenses than the reports issued by the Ministry. Finally, Selak Raspudić warned that the system of fighting against violence in Croatia is discouraging women to report when violence occurs until the situation escalates and runs into a sphere of criminal law.

During the same session, Anita Matijević, the representative of the Ministry of Interior, said that the number of perpetrators has dropped by 11.2%, while the number of victims fell by 6.3% in comparison with last year's digits. However, she underlined that the number of criminal offenses of violence in family has risen by 43.4%. Be that as it may, the COVID-19 pandemic showed that private sphere of our lives has remained isolated and that decision-makers would often address only the macro-issues such as public health and economic downfall, while everything else including mental health, intra-family relations, and domestic violence remains overshadowed. It is clear that NGOs do not have enough resources, expertise or maybe the necessary infrastructure to offer their help to people in need. Rather, they should serve as information checkpoints or the "first line of defense" in order to ensure the appropriate and timely communication with state institutions.

### **Conclusion**

The COVID-19 pandemic has revealed some major disruptions in Croatian education system and system of fighting against violence. The problems in both of these spheres were very well known in past years as well, but it seems that little has been done. During the first wave of the pandemic, many were pleased with opportunities that working from home or performing school activities from the comfort of our living rooms offer. Ultimately, it became obvious that our daily routines require physical contact with other people apart from our family members and that many were much happier to spend 8 hours of their working time or 8 hours intended for education in offices and schools, respectively.



# **Rearrangement of the public sphere in 2020: new discourses & narratives**

**Ladislav Zemánek**

***Summary:** Looking at impacts of the crisis on the Czech society, one cannot fail to notice that a great imprint was left not by the disease itself but by economic and political measures introduced by the Government and state bodies. Effects of the overall restrictive regime were obvious. Nevertheless, long-term implications on the social life as a whole, mentality and behaviour of individuals are rather hidden yet. In this study, I start stressing the need for long-term thinking and perspective, and I go on to an analysis of the major dividing lines in the society both in the pre-crisis and crisis period, inquiring into a transformation of the focal points and narratives dominating in the public sphere. I conclude with an assertion that the crisis brought a new determining boundary.*

## **A long-term perspective more important**

This year's unexpected development and related transformations shaped by the outbreak of the novel coronavirus epidemic and subsequent anti-crisis measures had multiple facets – political, economic and also social. Even though all these aspects are of high importance and relevance, being not only temporary but entailing long-term consequences, especially economic and social impacts seem to be the most serious from a distant perspective. While the crisis did not transform the Czech Republic's political model and daily politics essentially during the last months (irrespective of the ongoing and partially strengthening authoritarian tendencies and inclinations to lesser pluralism, first and foremost in the

political mainstream)<sup>73</sup>, influences told on the economic and social life are much more significant. In economic terms, expansive and interventionist state policy led to a fast indebtedness, massive damage on some industries and businesses, which was to be compensated through immense financial subsidies burdening the state budget. Dangerously rising expenditures were not accompanied by budget cuts, economic restructuring or substantial reform steps, for instance, in the field of pension, health care or tax system. The political discourse was dominated by the imperative of fiscal expansionism and massive spending without serious assessments of impacts on future generations and their living standard.

But in fact, these questions, in particular, should be taken into account. Long-term economic aftermaths can be graver than difficulties of the moment. Inability or reluctance of the political leadership to assume responsibility for the future development together with a predominant focus on the present time and the nearest future, which is undoubtedly related to opportunist reckoning and efforts to satisfy immediate demands of the voters prior to the oncoming election in 2021, is alarming. Thinking and acting only with respect to a four-year mandate is but detrimental, short-sighted and creating comparative disadvantage in comparison to alternative political models.

### **Transformation of the public discourses**

As a result of the crisis, problems and topics which had been in the spotlight before, changed. At the same time, new diving lines appeared and existing discourses transformed, adapting themselves to the “new normal”. In the pre-crisis period of the year, a dominant dividing line remained to split the society and public sphere into two major camps – the so-called Havlists and “the others”. The first ones follow the legacy of the first Czech

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<sup>73</sup> I analyse these tendencies in the summarising December political briefing, revealing them as the most relevant aspects of the development of the Czech political model in 2020. In greater detail see <https://china-cee.eu/2020/12/14/czech-republic-political-briefing-dynamics-of-the-czech-political-model-in-2020/>.

Republic's President Václav Havel, considering themselves to be pro-Western, liberal, anti-authoritarian, democratic, open-minded, cultivated, educated, tolerant and progressive. Socially, this part of the society consists predominantly of big cities dwellers and especially those from the capital of Prague. The second camp is "the rest", being socially, geographically and ideologically diverse, ranging from communists to conservatives or nationalists. A traditional dichotomy city-country coincides with the abovementioned division in a high degree. Notwithstanding a certain simplification, the division between the "enlightened" Havlists and the others does exist indeed. Over the last years, it was slightly modified and applied in relation to the pro-Government camp and opposition, the first being compound of the supporters of the catch-all ANO movement, social democrats, communists and partially also conservatives or nationalists. It is probable, however, that such an alliance is solely temporary and accidental and might be transformed considerably after the 2021 election at the political level.

In the last years, migration, globalisation and multiculturalism (or simply the Kulturkampf question if using the term coming from struggles in the second half of the 19th century originally which has been re-introduced to the public and political discourse in many countries and regions recently) were another focal points of the main discourses. Also, in this case, the sceptical stance was adopted predominantly by "the rest" overlapping with the pro-Government camp. But these nodal points of the dominant discourses were overshadowed by the outburst of the epidemic in 2020. The dividing line between the political Left and the Right had been beclouded already before the current crisis<sup>74</sup> but the extraordinary circumstances made this division almost completely irrelevant and not only from the point of view of the public opinion. Similarly, the antagonism between liberals/Havlists and others was weakened. A long-term campaign led by an alliance of some political forces and activists from NGOs was

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<sup>74</sup> The clear proof of such an assertion being high support for the ideologically ambivalent actors such as the ANO movement or the Pirate Party and a concurrent tendency towards "expertocracy" instead of the traditional democratic politics.

continuing but became marginal which was in sharp contrast with a situation in 2019 when hundreds of thousands of protesters gathered to force the Government headed by the Prime Minister Andrej Babiš and the President Miloš Zeman to resign, these actions being the largest since the so-called Velvet Revolution in 1989. These opposition activities were dampened and the opposition (both from the political parties and the civil society) was not able to make use of the anti-Government narrative to mobilise the society.

### **A new dividing line emerged**

The same applies to the Kulturkampf. The question of illegal migration, irresponsible support of migration by the Brussels elites and some European leaders, the pressure exerted by external actors on our country in connection with the relocation scheme based on the obligatory quotas, and also other hot topics such as the alleged civilisational decline of Europe, social engineering projects aimed against the European heritage and traditional forms of life which were discussed so heatedly in the pre-crisis period – many of them virtually disappeared from the public sphere. In a sense, they found their continuance in a narrative interpreting the epidemic as another attempt of the global elites (“globalists”) to gain full control over individual nation-states. Although this black-and-white interpretation did not prevail in any of both camps (liberals and the others), its weaker version according to which the epidemic is misused by different groups of people from different parts of the world with different interests for an acceleration of the processes existing earlier, for example, the process of undermining the power and role of the nation-states and their elites, that of social control through digital technologies, or that of dismantling market economies, the principle of free trade and elimination of the strata of self-employed persons and small and medium-sized enterprises. It would then lead to stronger oligarchisation, to the domination of oligopolies or monopolies in the economic sphere, to deepening of authoritarian tendencies in the political sphere and considerable weakening of the middle class, the existence of which is usually considered to be a

base of the modern democratic society characterised by the autonomy of individual spheres, pluralism and liberty, defined in predominantly liberal terms.<sup>75</sup> These narratives were stressed by actors from politics, business and civil society.

In other words, a new dominant division line appeared in the Czech society in 2020 – between interventionists and non-interventionists or moderates. This new split had an impact on a transformation of public discourses, modification of narratives and emergence of another field on which a battle for hegemony was waged. Interventionists were in favour of radical interference in all spheres of life of the society referring to the imminent threat posed by the epidemic, elimination of which was the only priority. On the contrary, the moderates challenged radicalism, one-sidedness and absolutism of the interventionists, refusing such measures as lockdown, excessive social control or suppression of individual rights and freedoms. Instead, this camp put emphasis on the maintenance of economic performance and normal social life, warning against hysteria and authoritarian manners.<sup>76</sup> The moderate side was strengthening gradually. Not by coincidence, re-introduction of restrictions in the autumn was criticised by a great part of society and was accompanied by manifestations of disobedience, protests and a sharp decrease in trust in the political leadership. The second wave of the epidemic thus came under very different social circumstances.

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<sup>75</sup> Interconnections between democracy and the middle class were analysed by Ronald M. Glassman from the sociological point of view, taking a complex historical development into consideration. The interdependence between the democratic rule and a prosperous middle class was formulated already by Aristotle, a central figure of the Western political thought, who concluded that once the middle class is weakened, democracy turns into an oligarchy. See Glassman, R. M., *The Middle Class and Democracy in Socio-Historical Perspective*, Leiden 1995.

<sup>76</sup> Arguments and reasoning of the moderates are presented and well formulated by the former President Václav Klaus and his associates. See e.g. the October newsletter published by The Václav Klaus Institute: <https://www.institutvk.cz/files/newsletter/99.pdf> (in Czech).

## **An immediate family Christmas to say ‘good bye’ to 2020, or Who wins a ‘last man standing’ game**

**E-MAP Foundation MTÜ**

### **Estonia**

In December 2020, Peep Talving, Chief of medicine for the North Estonia Medical Centre, urged Estonians to be spending Christmas and New Year “with their immediate family and contact grandparents and other relatives virtually”<sup>77</sup>. It became yet another confirmation that the country’s society has not passed the barrier of the pandemic to move forward. As a distinct sign of the outgoing year-associated societal battle with the pandemic that killed nearly 300 of Estonian residents, while got about 34,000 people diagnosed with the disease<sup>78</sup>, Dr. Arkadi Popov, who used to run the Estonian Health Board’s crisis centre from the beginning of the emergency times and during the toughest periods of the battle, became the *Postimees*’ Person of the Year 2020<sup>79</sup>. A well-deserved recognition indeed, since Dr. Popov was one of those capable medical managers who were calmly fronting the country’s response to the COVID-19 on TV and in other media – his words were getting taken seriously by the society, and it helped Estonia to avoid a nation-wide panic. In his interview to *Postimees*, Dr. Popov recalls the initial steps made on “boosting hospitals’ treatment capacity [...] [and] drew[ing] up corresponding plans in April and May”<sup>80</sup> when the pandemic’s second wave was fast approaching. It is known that Estonia managed to order over 600,000 doses of the Pfizer/BioNTech

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<sup>77</sup> Peep Talving as cited in Elo Mõttus-Leppik, ‘Talving: Single family Christmas this year’, *Postimees*, 9 December 2020. Available from [<https://news.postimees.ee/7129271/talving-single-family-christmas-this-year>].

<sup>78</sup> ‘Coronavirus in Estonia: All you need to know’ in *ERR*. Available from [<https://news.err.ee/1061575/coronavirus-in-estonia-all-you-need-to-know>].

<sup>79</sup> Toomas Kask, ‘Popov: A pandemic was considered unlikely’ in *Postimees*, 6 January 2021. Available from [<https://news.postimees.ee/7148899/popov-a-pandemic-was-considered-unlikely>].

<sup>80</sup> Arkadi Popov in Kask.

vaccine that are understood to be enough for 300,000 people<sup>81</sup>. Therefore, there was another personality whose professional input was highly recognised by Estonian people – Minister of Social Affairs Tanel Kiik (*Centre*). This 31-year-old politician has a future now (prospectively, a future premiership when time comes), being trusted by 49 per cent of all Estonian residents – the highest result among all people in Estonian politics<sup>82</sup>. The poll’s results had a note on Kiik’s qualities:

Kiik as social minister is a politician who has gotten extensive media coverage. Despite his young age, his balanced and calming style fits well into the current crisis situation and has reached the top of the politician trust survey.<sup>83</sup>

Even though Estonia’s landmass is very similar to the Netherland or Switzerland, the country’s population is rather small. It means that a wrong decision made in the process of managing a global crisis can potentially affect the lives of a significant societal segment in the most severe way. In the country where every single soul is carefully counted and almost never neglected (be it in a peaceful time or during a war), a preliminary report on Estonia’s population growth in 2020 was awaited by many. As stated in the document, in 2020, the total number on the overall population grew by 2,043 people, “largely due to immigration and returning Estonians” but “the natural growth rate saw a decline”<sup>84</sup>. In her commentary given on the

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<sup>81</sup> ‘Second batch of COVID-19 vaccines arrive in Estonia’ in *ERR*, 4 January 2021. Available from [<https://news.err.ee/1227820/second-batch-of-covid-19-vaccines-arrive-in-estonia>].

<sup>82</sup> ‘Survey: Social minister Tanel Kiik most trusted politician in Estonia’ in *ERR*, 7 January 2021. Available from [<https://news.err.ee/1230361/survey-social-minister-tanel-kiik-most-trusted-politician-in-estonia>].

<sup>83</sup> Aivar Voog as cited in ‘Survey: Social minister Tanel Kiik most trusted politician in Estonia’.

<sup>84</sup> ‘Minister: Natural population fall for 2020 regrettable’ in *ERR*, 5 January 2021. Available from [<https://news.err.ee/1228753/minister-natural-population-fall-for-2020-regrettable>].

report, Minister of Population Affairs Riina Solman (*Pro Patria*), noted the following:

This is definitely not good news, but it will be an inevitability for many years to come, and we have taken that into account. However, it can be concluded that population growth is still driven by immigration. How many families that had previously left here were brought back by the year with restrictions on movement and how many foreigners found Estonia as their place of residence during this year of many changes will become clear later.<sup>85</sup>

In the context of the aforementioned report on the population (currently, the figure stands at 1,328,976 people<sup>86</sup>), it was also hypothesised that a certain societal cluster moved from the cities to rural areas due to the pandemic<sup>87</sup>, however, with the time, a more detailed set of data will be available to clarify such a claim. The country is planning to conduct the Population and Housing Census in 2021 “to determine the composition of the population, structure of households and families, their living conditions and distribution at a precise census moment”<sup>88</sup>. It is an excellent operational idea, because back in spring-summer of 2020, multiple travel disruptions left hundreds of Estonians being stranded overseas, too<sup>89</sup>.

At the moment, it is literally impossible to confirm a more or less precise figure on how many Estonians (depending on what a prospective ‘counter’ means under such a classifying group) live outside of the country. Vaguely, one many argue about a figure between 165,000 and 200,000

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<sup>85</sup> Riina Solman in ‘Minister: Natural population fall for 2020 regrettable’.

<sup>86</sup> ‘Main indicators’ in *Statistics Estonia*. Available from [<https://www.stat.ee/en/find-statistics/main-indicators>].

<sup>87</sup> ‘Minister: Natural population fall for 2020 regrettable’.

<sup>88</sup> ‘Population and Housing Census 2021’ in *Statistics Estonia*. Available from [<https://rahvaloendus.ee/en/census-2021/population-and-housing-census-2021>].

<sup>89</sup> ‘ERR News looks back at 2020 in Estonia’ in *ERR*, 31 December 2020. Available from [<https://news.err.ee/1220950/err-news-looks-back-at-2020-in-estonia>].



Estonians that are estimated to live abroad<sup>90</sup>, but this piece of data can ‘talk’ about ethnic Estonians only. At the same time, as reported by *Integratsiooni Sihtasutus*, “[r]epresentatives of 194 nationalities live in Estonia”, and “[m]ore than 300 cultural associations and 30 Sunday schools of different nationalities”<sup>91</sup> are in operation currently. Therefore, a more up-dated census on the population is going to be appreciated by all major stakeholders involved into the process of establishing and maintaining social cohesion in Estonia. Ironically, during one of his first interviews in 2021, the country’s Prime Minister Jüri Ratas (*Centre*) decided to touch upon the issue of building socio-political ‘bridges’ in Estonia as well, but the context for that particular metaphorical expression was very specific. Speaking on ETV, the Prime Minister connected the issue with the next presidential election, hinting about his dissatisfaction with the performance of the current President Kersti Kaljulaid:

I think that she has given the best of herself, as much as she has been able to and wanted to. However, it is my hope that the next President of the Republic of Estonia will do all they can to build bridges on a day-to-day basis.<sup>92</sup>

The irony was hidden in the immediate future – responding to yet another crisis within the governmental coalition a week later, it was the same Jüri Ratas who was submitting his letter of resignation to the same

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<sup>90</sup> ‘Global Estonian Report: Christmas Edition’ in *ERR*, 16 December 2020. Available from [<https://news.err.ee/1209229/global-estonian-report-christmas-edition>].

<sup>91</sup> ‘Multicultural society’ in *Integratsiooni Sihtasutus*. Available from [<https://www.integratsioon.ee/en/multicultural-society>].

<sup>92</sup> Jüri Ratas as cited in ‘Prime Minister: Next president should be societal bridge-builder’, *ERR*, 6 January 2021. Available from [<https://news.err.ee/1229272/prime-minister-next-president-should-be-societal-bridge-builder>].

President of the same Republic<sup>93</sup>. This issue is to be extensively discussed in the first political brief of 2021, but, in the meantime, it is fair to argue that President Kersti Kaljulaid finished this informal ‘last man standing game’ with the now former Prime Minister victoriously. Most probably, she did not even play such a game at all, but the outcome of the process is very obvious – Jüri Ratas is no longer the country’s Prime Minister. Speculatively suggested, this situation is going to be framing a more comfortable platform for societal cohesion in Estonia, as any victory over turbulence and chaos is always a value-added component in the process of developing a stronger society. Metaphorically, let us recall how, in July 2020, the Estonian men’s national basketball team managed to defeat regional basketball powerhouses – Lithuania (92:85) and Latvia (84:67) – to win the Baltic Chain Tournament and acknowledge the centennial of Estonian basketball with a quality mark<sup>94</sup>. The whole society was joyful in celebrating this success in sport, expecting a similar level of delivery from the political circles. In a way, this desire could be read between the lines from the presidential speech on the New Year’s Eve:

Inevitably at the end of every year, there will be those for whom the ending year has been sad and difficult. People whose voice is not audible. Loneliness. Loss. Poverty. Evil at home. Bullying at work or at school. Endless care for elderly parents or a disabled child. Disease with a bad prognosis. I hope that in the New Year all of us will have more time to think of those for whom tonight would not be a joyous day even without the worldwide pandemic.<sup>95</sup>

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<sup>93</sup> ‘Gallery: Jüri Ratas submits resignation to president’ in *ERR*, 13 January 2021. Available from [<https://news.err.ee/1608071626/gallery-juri-ratas-submits-resignation-to-president>].

<sup>94</sup> ‘ERR News looks back at 2020 in Estonia’.

<sup>95</sup> Kersti Kaljulaid as cited in ‘President’s New Year’s speech: ‘No one is alone’, *ERR*, 31 December 2020. Available from [<https://news.err.ee/1221025/president-s-new-year-s-speech-no-one-is-alone>].

## Greek Society in 2020

George N. Tzogopoulos

*Summary: Greek public opinion is being encountered with the COVID-19 pandemic and needs not only to keep healthy but also to economically survive. Throughout 2020 it saw that the government managed to curtail the virus in March and April but then started to slowly lose control of the situation. The second lockdown that was imposed in November was the result of both individual recklessness and governmental inefficiency. But for the majority of Greeks the anger and disappointment over the continuation of the pandemic were not a reason to withdraw their support for Prime Minister Kyriakos Mitsotakis and the governing New Democracy party. In the interim, the government found an opportunity not only to apparently exert control over the media via providing financial assistance but also pass laws aiming at limiting demonstrations. Violence was on the rise but the pandemic itself did not allow many crises threatening social stability.*

For the Greek society, 2020 was a bizarre year. The outbreak of the COVID-19 pandemic seriously impacted on daily routine and forced a new way of life. The priority for the majority of Greek citizens was to keep healthy and manage the dramatic economic consequences. The first lockdown that was correctly imposed by Prime Minister Kyriakos Mitsotakis in mid-March 2020 was positively perceived. It was seen as an efficient response to an unprecedented crisis. By placing the virus under control, the Greek government managed to lift measures at the beginning of May and give the opportunity to citizens to return to their businesses and party enjoy the summer holiday season. The turnover was obviously lower

in comparison to the 2019 summer but the Greek government was not considered responsible for the problem.

From the beginning of May until the end of October 2020, Greek citizens achieved a semi-normalcy in their daily life. The opening of the country to international tourists – as announced by Mitsotakis in June – had not been carefully prepared as nucleic acid tests facilities in entrance points were rather problematic. Nevertheless, the governing New Democracy party was only mildly criticized. It was clear for the majority of Greeks that the government was striving to combine public health concerns with economic calculations. The Greek economy is largely based on services and was in need of a boost amid difficult conditions. In the final account, the performance of other governments in Europe was not necessarily better than that of the Greek one.

The relaxation over the summer period led to a surge of new COVID-19 cases. This acquired a highly dangerous dimension in the autumn. While the government failed to conduct tests at a large scale, improve conditions in means of public transport to allow safe travelling and transportation, and imposed the wearing of masks at an early stage individual responsibility was an additional parameter that cannot be ignored. Part of the Greek society should be held accountable for the generation of new COVID-19 cases in the summer period and from September onwards. While several citizens respected social distance measures, others refrained from showing collective responsibility and behaved as if the virus had disappeared. Social gatherings, for example – especially among young people – became a reason for the spread of the coronavirus. Partying could hardly be controlled by state inspections or police interventions. The functioning of a democratic state relies on the contribution of citizens themselves to the common goal.

When the situation seemed to be out of control at the beginning of November, the Greek government imposed a second lockdown. But as opposed to the first one that had been decided in March, the second one found the society in despair. While strict measures were certainly considered necessary to offer some relief to intensive care units of

hospitals, they were also regarded as an indication of the failure to prevent the new wave of the pandemic. More importantly, citizens, who would lose their jobs or would need to shut down their restaurants, shops, bars and cafes (again), interpreted the second lockdown as a governmental slap to their well-being and prosperity. In the last months of 2020, the society did not possess the patience it had exhibited in the spring. The pandemic was not any longer a sudden, unpleasant development but a known problem that required a systemic and efficient response by the authorities.

On the whole, as all opinion polls indicate, the image of the governing New Democracy party has not been critically damaged throughout 2020. Although disenchantment and anger rose, especially in the last months of the year, they did not trigger a political trend towards the main opposition SYRIZA party. Having said that, New Democracy preserved its lead in all surveys without satisfying the majority of Greeks with its efficiency and achievements. For most Greeks Kyriakos Mitsotakis remained a better choice in comparison to Alexis Tsipras despite flaws in his governance style. In a worth-noting case, Mitsotakis was accused of spending a Sunday mountain-biking outside Athens, while Greeks were ordered to stay home. *Politico* magazine published a story on this apparent violation of rules that was almost completely ignored in national media.

During the pandemic, most media organizations – such as TV channels, radio stations and newspapers – received special funding by the state. Their coverage did subsequently acquire a pro-government tinge, to a larger extent than in pre-COVID-19 times. The Council of Europe has published relevant information on its website. According to the analysis, many outlets perceived as ‘opposition’ media in Greece received disproportionately lower levels of advertising revenue from the public health awareness campaign for people to stay home compared to more government-friendly media, despite the fact that many had higher circulation and readership. The Permanent Representative of Greece to the Council of Europe sent a letter to play down concerns and focus on the alleged transparency of the process. But the 2020 Digital News report of Reuters Institute provides data which outline the existing problem as most

Greeks tended to trust social media for their information instead of traditional ones.

Beyond the impact of the pandemic on the modus operandi of the media, the Greek government also introduced new rules to regulate demonstrations. A law that was passed in July 2020 mandates the appointment of a liaison officer, restrictions on demonstrations or outright bans if authorities consider they threatened public safety. It also holds organizers accountable for harm or damage caused by protesters. In the last months of 2020, police brutality was on the rise. In December 2020, Amnesty International called for the end of police violence and officers' impunity. According to its research, incidents including ill-treatment of detainees and protesters, as well as the excessive use of force and tear gas were documented. Theoretically, big demonstrations were supposed to be cancelled during the pandemic but the limits between the preservation of necessary health measures and the organization of rallies were not very clear. On 17 November 2020, for example, the police attempted to break-up a relevant march.

Violence was not only used by the police but also by extreme groups in 2020. In a highly worrying case, Athens University of Economics and Business Rector Dimitris Bourantonis was assaulted by anarchists. Bourantonis was forced to wear a placard reading 'Solidarity with Squats' and his photo was circulated in the internet sphere generating outrage in the country. In response to this incident, Minister of Education Niki Kerameus (and the Greek government in general) proposed measures to guarantee security on university campuses. The proposed law came to the parliament in January 2021 amid reactions. The intervention of the police in Greek universities remains as highly sensitive theme due to vivid experiences from the military junta period.

## **Conclusion**

Most Greek citizens suffered by the pandemic in 2020. While the majority respected the rules, some citizens did not keep social distance

measures and played a negative role in transmitting the virus – especially in the summer period as well as in September and October. The good news for the Greek government is that the disappointment of Greeks with the continuation of the COVID-19 crisis did not cultivate a reaction that could perhaps favor the main opposition SYRIZA party. This does not mean that the majority was particularly satisfied with the performance of the governing New Democracy. Anger and disillusionment could not be easily and clearly expressed in COVID-19 times, at least in the form of big public marches or strikes. The Greek government attempted to consolidate its position in the society by regulating demonstrations and allegedly controlling the flow of information in traditional media. In 2020, the pandemic itself was a useful buffer, and occasionally a convenient excuse for some of its policies.

# The fall and rise of the Hungarian labor market?

Csaba Moldicz

*Summary: Until 2020 the most characteristic feature of Hungary's economic success have been the improving labor market data. The economic crisis triggered by Covid-19 has had a distinctly negative impact on the Hungarian labor market. This social briefing aims to summarize the year 2020 with a focus on the recent trends and fluctuations of the labor market and raises the question of whether or not structural unemployment in the Hungarian economy will increase due to the global pandemic. This is an "eternal question" that we have to ask in the wake of any kind of economic crisis, as the answer to the question is crucial in forecasting social and economic tendencies in the Hungarian society. At the same time, we must be cautious with the answers as the impact of the second lockdown cannot be seen in the data yet, and this time unless there are additional labor market measures, the impact might be more severe than after the April and May lockdown.*

## I. Introduction

Usually, a distinction is made between frictional, structural, and seasonal unemployment. Growing or falling unemployment, called frictional unemployment can result from seasonal fluctuations in demand in agriculture and construction, this type of unemployment cannot be eliminated. Frictional unemployment results from the fact that there are always people who are "between jobs". It is a natural feature of any labor market, determined by fluctuations in supply and demand. What we can observe in Hungary today is the rise of the third type of unemployment, the so-called cyclical unemployment, caused by a sudden downturn in the



economy. The main question is whether this cyclical unemployment will turn into the so-called structural unemployment, which indicates a long-term difference between supply and demand in the labor market. The reason is why it is so difficult to reduce cyclical unemployment is because although the education system adapts to the new market situation, the speed of adaptation is slower than the changes in the labor market so that the trends in the labor market can worsen.

## **2. Labor market data**

Looking at the latest available labor market data, the number of people employed, and the employment rate decreased compared to the previous year. The number of employed persons decreased by 1.4 percent in November 2020 compared to the corresponding period of 2019, while the employment rate was 0.6 percentage points lower than a year before. The peak in the number of employed persons was in May 2019, since then a slow but steady decline has been observed and the difference between May 2019 (4,533 thousand) and the latest data in November 2020 (4,458 thousand) is 72 thousand. We should add that most of the change still comes from the social strata of an aging society and people who withdrew from the labor market because they retired thus are not tracked in these statistics. The unemployment rate for 15- and 64-year-olds was 70.7 percent in August 2020, the highest level in the last two years. In other words, the Covid-19 hasn't necessarily translated into numbers in terms of employment rates.

The effects of Covid-19 can be more easily tracked in changes in the unemployment rate and the number of unemployed persons. The lowest point of the unemployment rate and the number of unemployed persons was in December 2019, while the highest point was observed in May 2020. The difference in the number of employed persons was 100 thousand when comparing December 2019 (140 thousand) and May 2020 (240 thousand), since August the number decreased to 197 thousand. Similar dynamics can be seen in the unemployment rate, the lowest point was observed in

December 2019 (3.0 percent) and the highest point in August 2020 (5.1 percent).

We should add that the Hungarian Central Statistical Office collects its data based on the standards of the International Labor Organization, whose definition of unemployment differs from the number of registered jobless people. While the average number of unemployed persons was 199 thousand based on the ILO definition, the number of registered job seekers according to the administrative data of the National Employment Service was 306 thousand people.

The slow but steady improvement in the labor market can be seen in several indicators, the tell-tale sign of structural unemployment is the number of job vacancies, which was at its lowest at 58 thousand in the first quarter of 2020 and rose to 63 thousand in the third quarter. (The third quarter of 2018 was the period when demand was strongest in the last five years, with 87 thousand vacancies.) Clearly, one of the most efficient strategies – if you do not want to lay off employees during the economic downturn – is to hire them part-time instead of full-time. When we compare the number of hours worked in Q3 of 2020 to the data for the corresponding period of 2019, the decrease is 3.9 percentage points. We have also seen that both full-time and salaried workers are now working fewer hours than they were a year ago, while the number of hours worked by part-time workers has increased significantly. In other words, the price of keeping people on the payroll has been a change in the form of employment.

Compared to the rest of Europe, the Hungarian labor market performed relatively well during the year. In October 2020, the unemployment rate was 4.3 percent, while the EU average was 7.6 percent. While this is not the lowest, it is very close to it, as only the employment rates of Poland and the Czech Republic were lower in December. Another long-term indicator of the labor market is the youth unemployment rate, as trends can be persistent and youth unemployment can turn into long-term unemployment. In October 2020, the youth unemployment rate worsened in the EU, with the exception of Hungary and Austria. The lowest rate came from Germany (6.4 percent) and the highest from Spain (41.1 percent) and

the EU average was 18.0 percent in October 2020. Hungary's youth unemployment rate was 11.1 percent, meaning that only four countries scored better than Hungary on this indicator.

### **3. Government measures**

Since the problems in the labor market are due to the decline in the demand for labor, government measures have addressed the demand side of the labor market. We can classify 6 types of measures:

1. *Easing tax liability.* Companies could defer their tax payments until the end of September 2020. Of the HUF 52 billion due, about HUF 20 billion was paid later by companies.
2. The reduction of taxes and social contributions in the tourism, catering, hotel industry, and art sectors. About HUF 21 billion was not paid to the state budget as taxes and social contributions.
3. *Wage subsidies.* Over 4 months (until July 2020), the total amount of subsidies was HUF 14.4 billion.
4. *Wage subsidies in research and development.* By the end of July, almost HUF 5 billion had been disbursed in this form of subsidy.
5. *Job creation.* By the end of August 2020, 30 thousand jobs were created this way. In this framework, at least 3 months of employment must be added to the 6 months of subsidized employment.
6. *Other labor market measures.* In addition to the above measures to maintain and create jobs, several measures have been adopted to increase the flexibility of the labor market.

The measures to alleviate the impact of the global pandemic on the labor market were financed from the newly created "Economic Protection Fund", whose financing possibilities amount to HUF 1345 billion.

#### **4. Summary**

As we pointed out earlier, the key to understanding the labor market in 2020, is to focus on long-term and structural changes in the demand side of the labor market. The Hungarian labor market adjusted to the new situation and restructured. 26 thousand more people are employed in the info-communications sector, 20 thousand more people in the research, retail, construction sectors, while there are fewer people employed in catering, manufacturing, logistics, and storage. In other words, the whole labor market moved into higher added value segments. We should add that the reversed dynamics of the employment rate (worsening) and the unemployment rate (improving) show that a significant part of the adjustment comes from withdrawal from the labor market and not only from moving into higher added value segments.

It is worth noting that the impact of the second lockdown on the Hungarian economy cannot yet be seen in the data, and due to the dwindling financial resources of firms, they are more likely to reduce the number of workers to survive the second economic downturn than during the first lockdown. The 2020 Inflation Report from Hungarian Central Bank (MNB) also recently warned that the second lockdown wave would worsen labor market conditions and predicted that labor market indicators, particularly the unemployment rate, would not improve significantly until the latter part of 2021. This is the reason why we, unfortunately, must keep the question mark in the title of the briefing, and wait until it becomes clear whether the cyclical unemployment translates into long term and structural unemployment in the Hungarian economy.

# **Main achievements and challenges in Latvian society in 2020**

**Nina Linde**

## **Introduction**

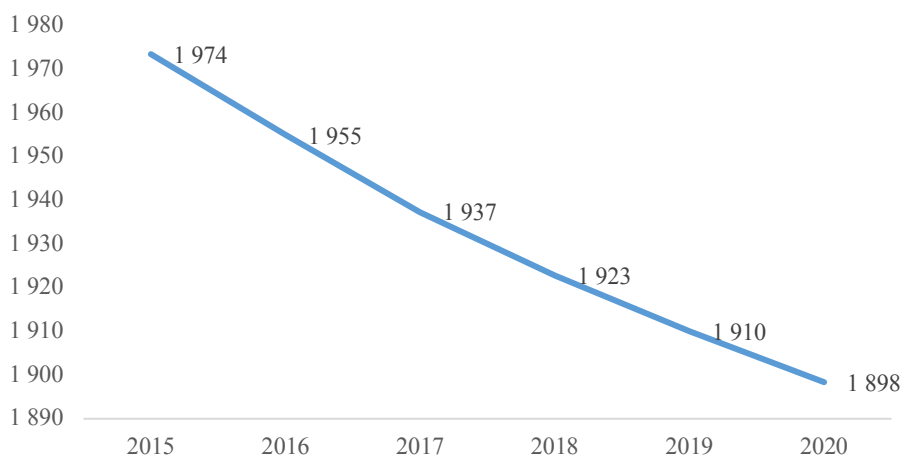
Covid-19 has influenced every sphere of life not only in Latvia but all over the world. Social life of Latvian inhabitants this year faced plethora of changes due to emergency situation. Additionally, Latvia still has a problem of aging population and population decrease in general. This year educational system of Latvia was forced to quickly adapt significant changes and successfully implemented remote learning for the whole population. At the same time, it was very important to track people's opinion about the social and economic situation in the country.

In this social briefing the following main social and socio-economic results of the year in Latvia will be summarized:

1. Population statistics trends of year 2020;
2. Attitude of the population towards Covid-19 news;
3. Main changes in the sector of education due to Covid-19;
4. Impact of Covid-19 on elderly population.

## **Population statistics trends in 2020**

Population trend in Latvia remains decreasing and on the Figure 1 it can be seen that there is a linear fall in the population during the last five years:

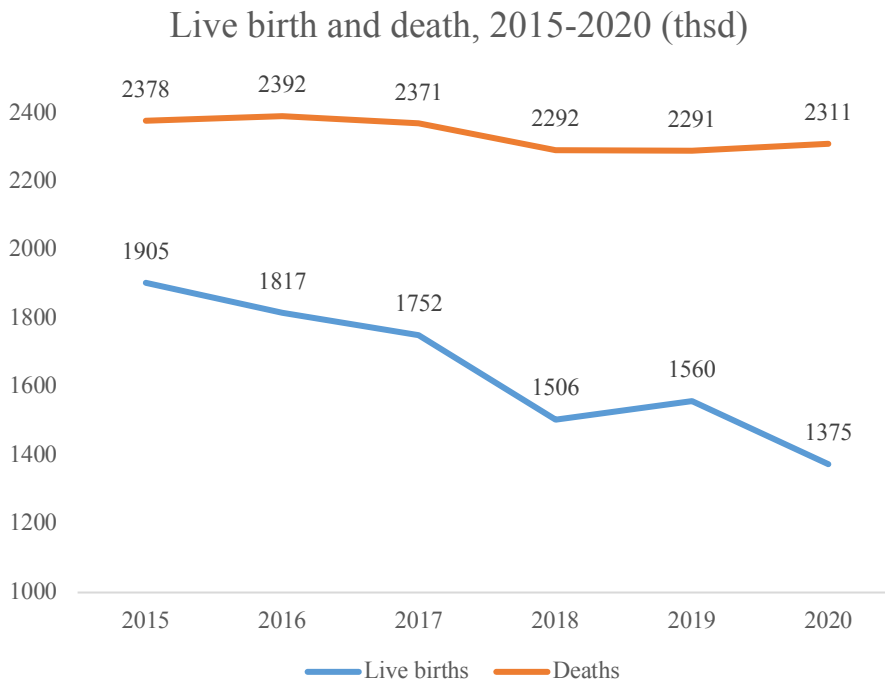


**Figure 1.** Population in Latvia, 2015-2020 (thsd)<sup>96</sup>

Descending population trend is one of the most problematic issues for Latvia. The decrease in the number of inhabitants is determined not only by the natural population decline, which has been preserved in Latvia since 1991, but also by migration, the negative balance of which has also been observed annually for a long time. There is no migration statistics available for the current year but data about live birth and death in Latvia is available on the Figure 2.

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<sup>96</sup>Central Statistical Bureau of Latvia (December 2020) Population change and demographic balance by month. Available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/population/number-and-change/key-indicator/population-change-and-demographic-balance>



**Figure 2.** Live birth and death, 2015-2020 (thsd)<sup>i</sup>

Based on data from the Central Statistical Bureau of Latvia, there is a slight increase in the number of deaths this year and it is needed to be considered that there is no data for December yet but deaths due to Covid-19 reason are at the pic now in Latvia. Therefore, it can be forecasted that statistics for 2020 will be worse than previously and Covid-19 pandemic is a tragedy for Latvian society. At the same time, declining trend of live birth observed with a significant drop by 12% in 2020. Population aging continues in Latvia and serious reforms will be needed in the near future to be able to provide a good quality of life for future seniors.

## **Main changes in the sector of education due to Covid-19**

The first emergency situation was declared on March 14th this year because of that all educational institutions were closed for more than a month thus making one of the historically biggest challenges for all members of the education process. Remote education tools had been developed earlier were not meant to ensure the learning process for all students of Latvia simultaneously. The shift to remote learning has been drastic and demanded a fast reaction from all the sides involved. The government and educational institutions have developed new tools and approaches for remote learning and ensured the quality of technologies for all members of educational process.<sup>97</sup>

It is important to mention that on November 12 2020, the Parliament supported the amendments to the Education Law, according to which in the future the procedure for organizing and conducting distance learning will be determined by the Cabinet of Ministers.<sup>98</sup> There is a significant necessity in the law amendments because the risk of Covid-19 infection is still high. Besides, the opportunity for remote education allows not only to use it during the pandemic but also in every situation, when a student or a teacher cannot attend classes. In general, these amendments can help improve the process of learning. Therefore, it is a great achievement for Latvia that educational institutions ensured distance learning on a daily basis in order to provide access to education for learners and implement the educational programs.

According to the law amendments, the school board will have the right to decide which individualized teaching materials should be provided to the student's parents. The law sets out the conditions under which teaching aids are provided from the state budget and the condition

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97LA.lv (07.04.2020) Vēl 2000 skolēniem trūkst attālinātajam mācībām nepieciešamās viedierīces. Available at: <https://www.la.lv/vel-2000-skoleniem-trukst-attalinatajam-macibam-nepieciešamas-viedierices>

98 Latvijas Republikas Saeima. Attālināto mācību organizēšanas un īstenošanas kārtību noteiks Ministru kabinets, lemj Saeima (12.11.2020). Available on: <https://www.saeima.lv/lv/aktualitates/saeimas-zinas/29308-attalinato-macibu-organizesanas-un-istenosanas-kartibu-noteiks-ministru-kabinets-lemj-saeima>



according to which local government may finance the purchase or subscription of e-resources, remote learning platforms, teaching and communication software or subscription fees for educational institutions subordinate to them.

### **Attitude of the Latvian population towards Covid-19 news**

In the 2020 humanity have faced significant changes in the social life. Plethora of restrictive measures were implemented around the world to protect people from Covid-19. However, there are and will be a lot of consequences of this pandemic, influencing life of general public. News about Covid-19 have become a part of people's everyday life this year and social sciences expert of Riga Stradins University (RSU) has conducted a study on Latvian society's attitude towards Covid-19 related news. 1005 respondents participated in the research.<sup>99</sup>

According to the study, more than half of the respondents (55%) follow the news on Covid-19, despite tiredness and worry. The higher the level of concern, the readier a person is to regularly update the knowledge on Covid-19 current situation. 21% of the least frequent news followers respondents are those who are not worried about getting sick.

Noticeable fact that 37% of the respondents state that following news about Covid-19 makes them feel safer and plan their lives more easily. At the same time, people are tired of following the latest updates on the pandemic and more than half of the respondents (53%) agree that they have lost interest in COVID-19 news. 34% and 44% of respondents are moderately concerned and rather concerned respectively agree that news impact their behavior. This mean that people are tend to follow the restrictive measures provided by government and frequently these measures are announced through the news channels.

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<sup>99</sup> LSM.lv (04.11.2020) Study: Latvian society and COVID-19 news. Available at:

<https://eng.lsm.lv/article/features/features/study-latvian-society-and-covid-19-news.a380175/>

Now the rate of infected people in Latvia is growing and people's interest in news is still increasing. However, consumption of news is not equal to perception. Covid-19 news content causes concern and tires people after a longer period of time. Even if the content is contradictory, more explanations are better than uncertainty, as uncertainty increases hopelessness among society.

### **Impact of Covid-19 on elderly population**

Riga Stradins University and University of Latvia has conducted a study with approximately 1,000 respondents from different regions of Latvia by means of a survey and detailed interviews. The study covered issues regarding health, economic and social aspects of people's life and the sample consisted of the Latvian population over the age of 50.<sup>100</sup>

Based on the results of the study, more than a half of respondents have access to digital technologies. However, only 20% of respondents use these technologies to access health care services and rarely used for online shopping. The elderly population mostly tend to use technology to obtain information as any other use of technology require more skills and means than population over the age of 50 have.

People's habits have changed significantly due to emergency situation. According to the study, more than 75% of respondents avoid visiting public places, using public transport and other forms of direct contact with people. Even though respondents admitted that their daily activities were restricted during the state of emergency in the country, they do not think that these restrictions are excessive.

In addition, the elderly population in Latvia is concerned about repatriation flights and the associated risks of infection. This concern arose as they do not believe that everyone who returns from abroad complies with restrictions properly. When assessing the information on Covid-19, the

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<sup>100</sup> Rsu.lv (14.10.2020) Researchers Identify the Impact of COVID-19 on Elderly Population

respondents admitted to have more trust in infectious disease specialists and epidemiologists than in politicians. But the trust in politicians during the pandemic has been quite high, according to the research.

Overall, people's trust in medical staff and government ensures proper behavior and perception of the emergency situation by Latvians.

### **Summary**

One major issue for Latvia is the population decrease. Population is aging, a lot of people migrating and the consequences for society and country's economy in the future can be very challenging. This year is no exception and the data show that there is a decrease in the population again.

Every educational institution in Latvia was able to ensure distance learning for the members of educational process. Such a rapid development of technologies in the educational environment can be widely used after the state of emergency and Covid-19 pandemic. For example, it is possible to organize remote study programs for foreign students or conduct classes even if it is not possible to attend them physically.

Overall, in the tough conditions of 2020 Latvia was able to overcome plethora of issues in social life of inhabitants. People trust to the government and medical staff, which is the fundamental requirement for calmness and readiness to follow the rules in society. It is necessary to focus on the future and start to minimize consequences of this pandemic already now.

## **The pandemic opens up questions about the wellbeing of Lithuania's society**

**Linus Eriksonas**

The year 2020 has been a roller coaster for Lithuania's society as many others facing the unknowns caused by the coronavirus pandemic. The year has seen two lockdowns introduced with a large part of communities and households for the first time experiencing such extensive quarantine periods. Altogether, in the outgoing year, Lithuania's inhabitants spent 290 days under restrictions due to the national quarantine. The first lockdown took place from 16 March until 17 June and the second one from 7 November until the end of the year (the latest quarantine's due date was set to 31 January). During the first one, which corresponded to the first wave pandemic, the Lithuanian society demonstrated resilience and succeeded in becoming one of the least affected countries in Europe. However, after a half-a-year respite during the late spring and throughout the summer that led to Lithuania to declare together with neighbouring Latvia and Estonia a free travel zone (referred to as the "Baltic bubble") inviting foreigners to come, the fortunes dramatically changed.

The second wave of the pandemic that arrived in mid-autumn hit Lithuania unexpectedly hard and took the society and the Government off guard; in December a former champion in tackling the virus has turned into the worst affected country not only in Europe but also in the world, according to the identified daily infection numbers per 100 thousand population. The attempts to stop the pandemic's ominously enlarging wave failed to give the results, and the country entered the second lockdown. By the end of the year, 5 per cent of the population became infected. Half of the infected recovered while another half continued to battle the illness; 1 per cent of all the affected cases were mortal, and the number of deaths accelerated.

Below is an overview of the results from the latest surveys of Lithuania's societal behaviours that are considered vital within the context of the challenges caused by the restrictions imposed during the lockdown. It will identify some of the aspects that create barriers for society's difficulties in responding to the pandemic.

The most recent research on psychological factors underlying adherence to the introduced measures under COVID-19 has shown that the effective policies require to consider two issues that significantly impact the compliance with the governmental regulations on the part of society. Firstly, the measures should specifically target individuals' internal motivation to act, avoiding diffusion of responsibility. Accordingly, as the research shows, the actions to be taken and communicated in society should be simple, yet transparent and trustworthy; and designed to elicit empathy-driven reactions in public, for example by making people aware that adhering to the quarantine rules is crucial to avoid spreading the virus among their loved ones. Secondly, individuals rather than the government have to be considered key actors in promoting compliance to regulations and norms across their relatives, colleagues and friends. People with leadership roles in formal groups must be empowered and encouraged to share messages with their colleagues. Individuals should be encouraged to share these messages across their informal social circles and motivate other group members to follow public health regulations and norms.

In Lithuania, the opposite has been often the case. The messages circulated in society (especially on social media) that have been questioning the extent of the pandemic and, in extreme cases, even putting in doubt the seriousness of the dangers facing the society. The overall perception held the Government rather than communities, families, and individuals are responsible for successfully battling the virus. The Government's communication was often top-down and one-way, portraying society as the pandemic's passive object rather than the subject that needs to be empowered and supported to overwhelm by showing efforts and solidarity by addressing specific societal behaviours.

During the first wave of the pandemic, the initiatives sprang out sporadically to demonstrate the solidarity with the hospitals' medical personnel, yet they removed the responsibility from the society-at-large by delegating it to the public health institutions. The second wave of the pandemic was short of similar actions except for few isolated instances, where local businesses invited customers to purchase food or other amenities to be delivered to the medics at work, thus again communicating the wrong-headed messages as if the health specialists directed by the Government had the duty to deal with the pandemic on behalf of the rest of the society under lockdown.

One has to look for the deeper causes underlying the passive and, in some cases, even negligent attitude of the society towards the citizen's proactive role in tackling the virus not only by expressing solidarity with the health personnel in hospitals and the patients through donations and gifts but also by taking responsibility and acting upon it for protecting themselves and their families, the closest ones and the people around them.

The global surveys of individuals' public attitudes concerning other members of society have shown that Lithuania has an abysmal record regarding three social behaviours at play when tackling the societal challenges: altruism, positive reciprocity and trust. According to the Global Preferences Survey conducted a few years ago to assess how individual's preferences for risk and time, positive and negative reciprocity, altruism, and trust influence economic and social outcomes in a cross-country perspective, Lithuania has the second-lowest level of the empirically observed state of altruism (the generosity towards other members of society) among the EU countries and the third-lowest among the OECD countries.

Altruism is a social behaviour that benefits another individual or other individuals in terms of direct advantages or chances of survival and reproduction at some cost of the benefactor. The research shows that the low level of altruism correlates with a low level of positive reciprocity. According to the surveyed level of positive reciprocity, Lithuania is ranked at the bottom of the EU countries, followed by Estonia and the Czech

Republic. Also, in terms of trust levels, Lithuania is among the nations where members of society exhibit the lowest levels of trust towards each other, being the fourth from the bottom in the EU, above only Romania, Greece and the Czech Republic.

The research demonstrates that altruism, trust and positive reciprocity have all been shown to predict a wide range of choices at the individual level, including, e.g., financial decision-making, educational decisions, labour market behaviour, charitable giving, social norm enforcement, and health outcomes and are associated with important life outcomes at the individual level. They play an essential role in shaping the social behaviours that influence the compliance with the COVID-19 measures taken by the public authorities.

Thus, it comes as no surprise that in the 2020 Gallup survey on global emotions, Lithuania scored third from the bottom, as the country that has the least Positive Experience Index score. The Positive Experience Index score is obtained by calculating the mean of all valid affirmative responses to the following five questions: 1) did you feel well-rested yesterday? 2) were you treated with respect all day yesterday? 3) did you smile or laugh a lot yesterday? 4) did you learn or do something interesting yesterday? 5) did you experience the following feelings during a lot of the day yesterday?

One might assume that the Lithuanian respondents' rather negative responses in this survey have something to do with society's economic and financial uncertainties in Lithuania. And, indeed, in another global survey conducted by Gallup for the Lloyd's Register Foundation, in assessing the public attitudes to risk, Lithuania was the only high-income country where a very sizable number of respondents (43 per cent) indicated the economic and financial risks as the most relevant risks they considered. The respondents did not see other risks as very appropriate in their social and work contexts, including the risks related to gender inequality (including the gender pay gap), safety at work, safety and food and drink, cyber threats and the risks arising due to the climate change.

Indeed, the World Worry Index (created by Gallup) shows that Lithuania is among the top 10 countries in the world where the populations for different reasons have the least worries as concerning everyday risks such as severe weather, violent crime, availability of food and clean water, electricity, mental health issues and the essential household appliances. In other words, the Lithuanian society meets the basic needs which entail biological and physiological needs and safety needs, according to the Maslow's hierarchy of needs. The higher level of the human needs (the psychological needs including the need for belongingness and love needs and esteem needs) which require a certain level of altruism, positive reciprocity and trust, are in deficiency.

During the summer between the two waves of the pandemic, the Lithuanian researchers conducted a psychological health study of society entitled 'My Self-Being' to find out how the coronavirus crisis-affected people's psychological wellbeing in Lithuania and how to help them more effectively. The study results showed that people had been affected in some way or another by various pandemic problems. Many of the study participants felt intense fears, anxiety, sadness or loneliness. Almost half of the people were severely emotionally affected by restrictions on the contacts with the relatives, and even a quarter of the observed study participants experienced severe adaptation difficulties.

The researchers concluded that people have difficulty handling stress during a pandemic, and these emotional difficulties are beginning to interfere with their daily lives. The results of the previous studies in Lithuania have shown less widespread use of these difficulties. Thus, it is argued that the pandemic's current challenges can result in more significant psychological problems for people, which creates more challenges for the Government to find more appropriate and, more importantly, timely and effective ways to shape pro-active social behaviours in response to the underlying worries of the people.



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# Montenegrin social development in 2020

Vojin Golubovic

The end of 2019, as well as the very beginning of 2020, made it possible to anticipate some of the social events that marked the entire observed year. This primarily refers to social unrest caused by the enactment of the Law on Freedom of Religion. This event showed the depth of divisions in Montenegrin society, but also opened numerous questions about the disruption of some civilizational values. Nevertheless, the events on the global scene, ie the pandemic of the Corona virus, especially marked the Montenegrin social scene. Processes in Montenegrin society based on these events have largely shaped the social reality during 2020. On the other hand, important social issues such as democracy, the rule of law, corruption and especially the environment have been put in the background.

## **Law on freedom of religion:**

### **a trigger for instability and division in Montenegrin society**

The adoption of the mentioned law was initiated by numerous mass protests organized by the Metropolitanate of Montenegro and the Littoral, which is the part of the Serbian Orthodox Church (SOC). The problematic part of the law concerned the treatment of property claimed by SOC to belong to this institution in Montenegro and its registration, as well as any other religious organization<sup>101</sup>. Although the law was assessed very

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<sup>101</sup> According to the law, religious facilities and land used by the religious communities in the territory of Montenegro and for which is found to have been built or obtained from public resources of the state or have been in state ownership until December 1<sup>st</sup>, 1918, as the cultural heritage of Montenegro, should be the property of the state.

positively by the Venice Commission, the SOC, with skillful methods with the support of numerous media from Montenegro, but also from Serbia, imposed the feeling that its property was being stolen. This revolted the masses of SOC believers, and as a result organized protests began in all Montenegrin cities. The manipulation of the masses was especially supported through social networks through various contents, which aimed to impose the church phrase the state was abducting God. Of course, material interests were camouflaged, even though they were the basis for the protests.

While one part of the Orthodox people in Montenegro supported the protests, ie the SOC, the other part of the Orthodox people supported the adoption of the law. Namely, that is the part of the Orthodox who belong to the Montenegrin Orthodox Church (MOC), which was abolished in 1918<sup>102</sup>, after the occupation of Montenegro by the Serbian army and the abolition of Montenegro as a state. This religious community expected the return of property that belonged to it until 1918. The spirits of the past have again divided Montenegrin society, which has historically been prone to sharp divisions during the previous century. However, it was believed that divisions would not be a topic again in a country that aspires to be a modern European state.

### **The growth of intolerance and nationalism in Montenegrin society**

Montenegro has traditionally been a country that nurtured libertarian values, the values of the struggle for equality of rights, coexistence, multiculturalism, tolerance of all religions, nations, traditions, cultures. However, events related to religious protests indicate that there is a rise in nationalism in Montenegro, a lack of tolerance, and all reminiscent of the gloomy 1990s, when extreme nationalism and the desire to create great nation states led to bloodshed in the former Socialist Federal Republic of

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<sup>102</sup> Prior to that period, the MOC was an autocephalous church, which is confirmed by the Constitution of the Principality of Montenegro from 1905 (Article 40).

Yugoslavia. Religious communities also played a major role in the madness of the 1990s. It seems that again in Montenegro, religion ceases to be just a religion and is placed in the function of the basic support of nationalist ideologues. The SOC is especially active in this regard, having practically installed its government in Montenegro<sup>103</sup>.

Street paintings in recent months, choreography that encourages religion or national intolerance, the growing need for police intervention, the spread of national hatred, the denial of the existence of particular nation, church, language, the growing presence of collective rather than critical individual thinking on the public stage represented the collapse of the values of civilization that Montenegro once boasted about. One of the consequences of such a moral stumble and the collapse of human and ethical norms were attacks on members of the Muslim religion, attacks on people based on their nationality and the like. All this, unfortunately, was largely encouraged by the well-conceived biased headlines of the mass media which are (only formally), called independent. Essentially, the mass media have been a tool in the hands of interest groups this year, which do not seem to have preserved tolerance, peace and mutual respect among the priorities.

Just before the end of 2020, the new government in the Montenegrin parliament refused to put on the agenda a Law on banning fascist, neo-fascist and military nationalist organizations and the use of their symbols. Montenegro is close to the situation described by Rob Riemen in his book "The Eternal Return of Fascism," where he sees the return of fascism in the existence of corrupt elites, above all political parties that have given up their vision, intellectuals and universities that do not encourage more critical thinking, but also mass media that would rather reflect what someone wants than serve as a critical mirror to the people. Radical religious ideologues have a special role in that, which additionally "poisons" the masses. According to him, these are corrupt elites who

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<sup>103</sup> All ministers belong to this religious community.

nurture a spiritual void in which the most backward human ideas, such as fascism, rise again. That is the most faithful picture of Montenegro in 2020.

### **Corona virus pandemic**

Similar to other countries, the spread of the Corona virus has had strong social consequences in Montenegro. Since the first case of infection in mid-March, the pandemic has managed to affect a number of social aspects, including changes in consumption patterns, living standards, widespread fear and discipline in the early days of the pandemic, but also to reflect the presence of moral hazard in Montenegrin society. Hypocrisy was registered even among some state officials who did not adhere to health measures to combat the epidemic, and officially called for adherence to measures. However, a pandemic is something that has engulfed every domain of social life in Montenegro.

Since its beginning, numerous measures have been taken to protect citizens. It seems that Montenegrin institutions initially responded in a timely manner and in a balanced manner adopting measures in different areas. The result was much milder direct consequences of the spread of the virus. In the first months of the pandemic, Montenegro was one of the most successful countries according to the statistics on the number of infected and died from Corona virus.<sup>104</sup>

In these initial days pandemic revived community and solidarity<sup>105</sup>, the high level of discipline was presented, which was mostly the consequence of fear and uncertainty. In June, Montenegro was the first Corona-free country. Yet again, fear for the enormous amount of properties forced the SOC to initiate mass protests again, despite a pandemic ban. This led to re-divisions among people and conspiracy theories that found their

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<sup>104</sup> This was confirmed by the Director of the World Health Organization (WHO) for Europe, stating that the reason for such good result was timely measures and discipline.

<sup>105</sup> The solidarity is confirmed through numerous voluntary activities and initiatives, donations from Montenegrin citizens, companies, but also from the diaspora

way into the public. Discipline disappeared, the relaxation of the people led to the re-spread of the virus, and the culmination of that was the public funeral of the metropolitan who died after Corona infection. This further affected the spread of the pandemic. The final consequence was that Montenegro became the first country in terms of the number of infected per 100 thousand inhabitants, and the warnings of professional medical workers, the Ministry of Health and other competent institutions lost their significance.

In such conditions, when seemingly less important topics have taken over the social scene of Montenegro, the impact of the Corona virus on various aspects of social life has remained largely neglected. Rising unemployment is an issue that has been predominantly addressed by many analysts, despite the fact that this pandemic is a kind of phenomenon in human history that is changing every aspect of life from the bottom up. In addition, issues of environmental protection, judicial reform, corruption, crime, brain drain from health sector and other issues that instinctively slow down the Montenegrin progress, have remained largely neglected. Perhaps this is the reason why, for the first time since 2003, Montenegro no longer belongs to democratic states<sup>106</sup>. These problems should be on the top of agenda, if Montenegrin society wants to follow the path of success and prosperity.

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<sup>106</sup> This is the result of the report “Nations in Transit, Dropping the Democratic Facade“ by The Freedom House. Many problems led to such a poor result of Montenegro (particularly problems related to the judiciary).

## Macedonian social developments in 2020

Gjorgjioska M. Adela

*Summary: The coronavirus pandemic caused a number of far-reaching and deeply disruptive social and psychological shocks. In the Macedonian context its immediate threat to human life was exacerbated by the structural under-capacity of the healthcare system, which increased the overall sense of social and individual vulnerability and exposure to the virus. More often than not the institutional steps taken in response to the pandemic were constrained by the underlying absence of adequate coordination and planning which resulted in actions ranging from ineffective to counterproductive. This in turn caused a further drop in the already low levels of social trust in the institutions of the state.<sup>107</sup> At the same time it resulted in the rise of social and individual anxiety, which manifested itself variously throughout the year.*

On the 31st of December the total number of confirmed positive cases of Covid19 for 2020 was 83,329, whilst the total number of deceased was 2503.<sup>108</sup> By comparison Albania, a country with a population of nearly 3 million (over 1 million more than N. Macedonia), had a total of 58,316 Covid19 cases and a total of 1181 deaths by the same day. The high infection and mortality rates observed in N. Macedonia are only in part explained by the novelty of the coronavirus. They are also strongly connected to the structural devastation of the post-socialist healthcare system, as well as to the low levels of social trust in state institutions.

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[https://www.iri.org/sites/default/files/iri\\_n.\\_macedonia\\_february\\_2020\\_poll\\_presentation.pdf](https://www.iri.org/sites/default/files/iri_n._macedonia_february_2020_poll_presentation.pdf)

<sup>108</sup> <https://news.google.com/covid19/map?hl=mk&mid=%2Fm%2F0bjv6>

Mismanaged and eroded under the influence of neoliberal logic, the public healthcare proved to be ill-prepared to tackle the challenge posed by Covid19. The response to the coronavirus pandemic was hampered by pre-existing structural weaknesses of public healthcare such as the deficit of medical workers, old and under equipped hospital infrastructure and inadequate hospital management. In the autumn period, as the number of infections spiraled out of control and the hospitals flooded with patients, the bulk of the burden fell on the shoulders of medical workers. By the end of 2020 nearly 20 medical workers had died from the coronavirus and there were over 300 active cases. The reactions from the medical community ranged. Some, such as the Association of Young Specialists Doctors and General Practitioners organized protests against the slow and inadequate support given by the healthcare institutions. They blamed them for putting their lives at risk by failing to provide sufficient supplies of protective equipment for medical workers and adequate safety guidance materials for patients.<sup>109</sup> In such a precarious working environment, a rising number of doctors and nurses resigned from their public healthcare jobs; some of them transferred to the private hospitals. The Ministry of Health failed to take any impactful steps to prevent such occurrences. What is more, it failed to mobilize and employ the 200 unemployed medical doctors across the country.<sup>110</sup> As a result a huge rift appeared between the rhetoric of the Minister of Health Venko Filipce who claimed that the situation is under control and the reaction of the broader public. The latter complained of a general chaos across the public hospitals in the country. Many resorted to social media to express their outrage at the state of the healthcare system and to report the horror stories they had experienced or witnessed in

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<sup>109</sup> <https://www.slobodnaevropa.mk/a/30482244.html>

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<https://www.slobodnaevropa.mk/a/%D0%BC%D0%BB%D0%B0%D0%B4%D0%B8-%D0%BB%D0%B5%D0%BA%D0%B0%D1%80%D0%B8-%D0%BF%D0%B0%D0%BD%D0%B4%D0%B5%D0%BC%D0%B8%D1%98%D0%B0-%D0%BD%D0%B5%D0%B2%D1%80%D0%B0%D0%B1%D0%BE%D1%82%D0%B5%D0%BD%D0%B8/31017023.html>



hospital lobbies and wards.<sup>111</sup> A large number of stories related to patients of illnesses other than Covid19, who had been prevented from receiving timely and adequate treatment due to delays caused by the overall strain on the healthcare system.

The catastrophic state of public healthcare led many to resort to private healthcare. By the end of the year nearly 150,000 tests of half of all tests conducted had been done in private health institutions. This meant that Macedonian citizens paid almost 6 million euros only on coronavirus tests since the start of the pandemic. The huge costs of private treatment, in some cases in the excess of 30 000 euros per patient, meant that the pandemic caused further impoverishment to an already economically distressed population. This meant that in addition to the immediate threat to healthcare, Covid19 also imposed a financial social burden. The sense of powerlessness caused by the overall challenge led to an overall increase in social anxiety and depression, the full consequences of which are yet to be aggregated and analyzed.

### **Covid 19 and education**

Another sphere of social life which was exposed as grossly ill-prepared to deal with the Covid19 emergency was the country's educational system. Disruptions to the educational process started to be experienced since the 10th of March 2020, when the Government announced the decision to temporarily close all educational institutions (kindergartens, primary and secondary schools, as well as universities and all other extra-curricular institutes of education).<sup>112</sup> This decision affected a total of 359.623 learners across the various educational stages. As the pandemic extended into the autumn period, it revealed the structural deficiencies of the under resourced educational system as a whole. This

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<sup>111</sup> <https://plusinfo.mk/nov-horor-od-bolnicata-vo-bitola-chador-vo-toaletot-za-da-ne-techat-fekalii-vrz-pacientite-video/>

<sup>112</sup> <https://data.unicef.org/resources/data-to-inform-the-covid-19-response/>

was demonstrated in the delayed and inadequate response taken by the authorities. The Government failed to utilize the period from March until 1st of September (the start of the school year) in order to prepare for the start of the 2020/2021 school year. Thus, it only announced its decision that all schools will use a unified distance-learning on September 1st.<sup>113</sup> The Platform however was not made available until the 1st of October, which caused a one month delay in the start of the school year. The decision to move to online teaching however was constrained by several preconditions. One major issue was the mismatch between the requirements necessary to conduct efficient and effective online education and the socio-economic conditions in the country. Namely, a major problem has been the lack of resources for the conduct of online teaching and studying. A survey conducted by the Ministry of Education showed that at least 30,000 pupils from disadvantaged backgrounds do not have the conditions necessary to be able to follow online classes. Some media and political parties put that figure to above 40,000.<sup>114</sup> This has serious social repercussions in light of the fact that it discriminates against children from poorer families with inadequate resources to participate in the online educational process. An additional problem posed by online learning was the big strain it put on parents of young children, who now found themselves with the extra responsibility of needing to provide daycare as well as parental guidance for the online education of their children. However, only those parents (1 parent per family) who are working in the public sector have been exempt from work during the pandemic. Other parents (such as those who work in the private sector) have had to continue working, and have not been able to support their children through the distant learning process. Instead of facilitating the new learning process, the educational authorities thus contributed towards the creation of a confusing and a chaotic environment, which educators, parents and pupils/students alike have had difficulties

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<sup>113</sup> <https://balkaninsight.com/2020/10/01/schools-out-how-pandemic-derailed-north-macedonias-education/>

<sup>114</sup> <https://daily.mk/what/9956689/vo-makedonija-40000-deca-nemaat-kompjuter-za-sledenje-onlajn-nastava>

navigating. At the same time however, this raised justifiable doubts that the new educational setting will further contribute to the deterioration of educational standards in the country. Even before the arrival of Covid19, the country's educational system was marred by many structural weaknesses, as observed and evidenced by multiple OECD country reports. The 2019 OECD Report on "The education system in the Republic of North Macedonia" found that: "Learning levels in the country are among the lowest in Europe and the Western Balkans. This reflects systemic challenges of low funding, unstable governance and limited capacity. The abrupt arrival of the pandemic in a context of a collapsing educational system meant that it not only exposed the system's pre-existing structural and technical incapacity but it also reflected the socio-economic inequality in the country, raising fears that the coronavirus pandemic will lead to their exacerbation.

The two major social challenges faced in 2020 were the healthcare and the educational crisis. Their combined effect resulted in the rise in the overall social and psychological anxieties felt across the society. Instead of ameliorating the shocks, the disorganized response by the institutions increased overall social anxiety as well as psychological distress. Overall, the social implications of Covid19 revealed a deep rift between the country's institutions and political establishment on the one hand and the citizens on the other. By collectivizing the responsibility over the coronavirus pandemic, the political establishment attempted to distance itself from responsibility over its inadequate handling of the pandemic and the tragic consequences which ensued. This however only served to further diminish the already low levels of social trust in the institutions of the state, resulting in the creation of new sources of societal frictions and conflicts., the consequences of which are yet to be seen.

# **Pandemic, Polish education and health care system**

**Joanna Ciesielska-Klikowska**

***Summary:** In March 2020, the SARS-CoV-2 virus reached Poland, gradually leading to the isolation of citizens and immobilizing the economy for many weeks. In order to reduce the spread of the disease, the health care system was put on high alert, and the government introduced restrictions, which particularly affected employees and students who had switched entirely to online working and distance learning. The pandemic brought enormous challenges in the social sphere, which focused primarily on the functioning of education and medical services - the most inefficient areas of social life in Poland, which are still incompatible with the 21st century requirements.*

## **Impact of the pandemic on the education system**

The rapidly evolving public health threat posed by the COVID-19 epidemic has triggered many changes in all aspects of life. Yet, it has especially put on the agenda several issues that Poland has to deal with. One of the most important is education.

It has been known for years that the situation in schooling system – which is underinvested, anachronistic, badly organized - is getting worse. For years, teachers have been protesting against successive reforms, which imposed on them only new bureaucratic obligations, without giving them any additional help (extra training courses, incentives, bonuses, teaching aids, etc.). A great wave of strikes passed through Poland in the spring of 2019, without however causing any major systemic changes. Yet, the pandemic and the necessity to switch to distance learning showed how dramatic the situation in reality is in several dimensions.

Firstly, the new teaching mode revealed prevailing social inequalities. Many families have experienced problems with students' access to computer equipment and the Internet, especially when there are more children at home. As the pandemic showed, even 70,000 children may currently be completely cut off from education because they do not have a computer or a tablet at home - 1.5% of all students in Poland. Statistically, this is not much, but this figure shows how many children have completely dropped out of the education system. Moreover, app. 1 million students (out of all 4,6 million) have to share equipment with parents and siblings - 28% of Polish families have two computers or tablets, but 8% only one. In such homes, hardware must be shared. Children from smaller towns often have slower connections and a limited gigabyte package as well. This difficulty with access to hardware and high-quality connection is serious, because all education has been carried out remotely since March 25. After the summer break, only younger children returned to primary schools, and their education lasted in its traditional form only for two months (September and October). Online teaching for all students has returned since November 2020.

Secondly, the transition to modern technologies showed that it requires changes in the methodology and philosophy of teaching. Here, the lack of training in the use of new technologies was particularly noticeable. With the failure of Polish teachers to adapt to the requirements of online classes, which cannot be transferred from a traditional classroom to a computer one in a 1:1 ratio, this caused a huge challenge for parents who had to solve the tasks with children themselves, often only getting brief instructions by e-mail. This situation has changed since September, when teachers had to switch to online teaching via ZOOM or MS Teams, but the deficiencies in spring education remained on the shoulders of children and parents.

Thirdly, the pandemic aroused the question of the role of parents. In 2020, it is they who have become helpers, carers, stewards, cooks and teachers for their children. They have been put in a situation where they need to support their children in their distance learning as full-time

teachers. This in turn revealed great social differences, that not every parent is able to help their child with physics or mathematics, and many of them are simply not prepared for it. In addition, parents also have to fulfill their professional responsibilities. Combining these elements turned out to be extremely difficult.

In fact the coronavirus, like a litmus test, revealed very significant problems in education system. The pandemic showed that the structure of Polish school is still in the 20th century and requires a thorough organizational, financial and mental reform. Though, education was not the only field that has been put to the test in 2020 – the second was the health care system.

### **Impact of the pandemic on the health care system**

Core of the last year's events was definitely the health care system, which was faced with the need to protect society against the unknown threat, and at the same time to maintain the availability of health services to all in need. Adapting to the new situation was, and still is, a challenge for both the society and the state administration.

On March 4, 2020, the first confirmed case of SARS-CoV-2 infection was announced. Starting from that point in time on, in the period March 7-31, the Minister of Health issued 13 ordinances directly related to the state of epidemic threat. After that time, they were replaced by ordinances of the Council of Ministers. Since then, several dozen of the Prime Minister's regulations have seen the light of day. The legal status changed on average every 3.5 days, making it difficult or even impossible to familiarize with the new regulations and implement them. Hasty legislation proved that Poland was not prepared for the outbreak of the epidemic, and did not have ready-made emergency scenarios.

Since the detection of “patient zero”, the number of people infected with coronavirus increased every day, but it was undoubtedly a much smaller increase than in other countries around the world - until the end of August 2020 (end of summer holidays) in Poland no more than 2,200 cases

were recorded daily. Only the return of children to schools – carried out without specific regulations and assumptions - led to a surge in infections. Children, usually resistant to SARS-CoV-2, have become the perfect transmitter of the virus. Thus, from October, an avalanche increase in the incidence could be observed, peaking on November 24 with 32,733 new cases in one day.

### Coronavirus cases in Poland since the beginning of the pandemic



Source: John Hopkins University, Novel Coronavirus Cases (accessed: 28 December 2020)

Indeed, the mass increase has brought the Polish health service to its limits, which, due to the constantly changing regulations, was already in a state of chaos. Reports from all over the country showed there were no places in infectious hospitals. Already in mid-October 2020, the number of hospital places occupied by COVID-19 patients was 4,924 nationwide. This was more than half of the all available resources, which amount to 9,500 beds. The Ministry of Health was well aware that the Polish health system would not withstand the pressure of the sick - though it was decided to create a total of 16 so-called coordination hospitals (in each of the 16 regions of Poland). As a result, the number of places for patients with COVID-19 increased by almost 4,000 - to a total of 13,300. Moreover, it was decided to transform individual hospitals and departments in voivodships for the purposes of fighting the epidemic. This naturally

helped to reduce the queues of patients waiting for help, but did not completely solve the challenging issue – the problem was not only beds, but also shortage of medical and nursing staff.

And precisely this last challenge was revealed by the pandemic - that the Polish health care system is anachronistic and badly organized when it comes to human resources. This problem is largely confirmed by the latest OECD report as well<sup>115</sup>.

Although doctors are well-educated and hospitals have world-class equipment, administrative procedures slow down the treatment process, sometimes making it almost impossible. This discourages specialists from working in Poland who, in search of better wages and greater esteem for the medical profession, go abroad (most often to Germany and Great Britain). This shortage in people turned out to be acute during the epidemic.

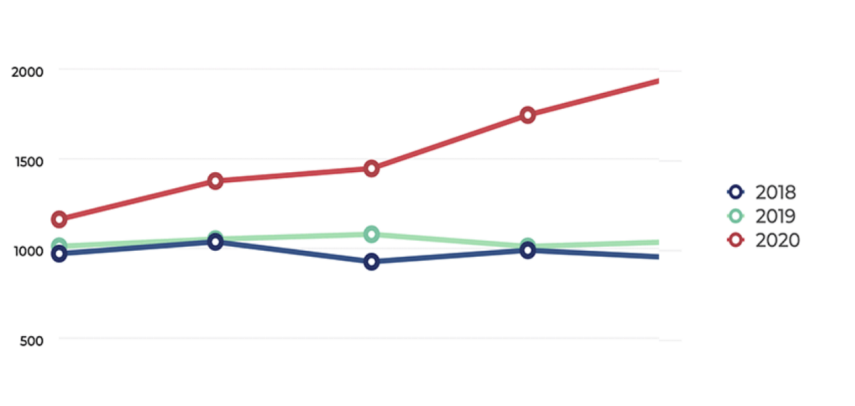
Importantly, the pandemic has also shown that most of the medical forces have been “launched to fight” against COVID-19. Long queues to specialist doctors have been extended by another months (especially in cardiology and oncology) and citizens have stopped making appointments because they were afraid of possible infection in the clinic and/or the necessity of waiting for a consultation for many days. The focus of medical services on providing assistance (almost) exclusively to COVID-19 patients, resulted in huge delays in the treatment of other patients, and thus also enormous mortality. Current statistics show that the mortality rate of Poles in 2020 is very high.

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<sup>115</sup> *Health at a Glance. Europe 2020: State of Health in the EU Cycle*, <https://www.oecd-ilibrary.org/sites/82129230-en/index.html?itemId=/content/publication/82129230-en> (accessed: 28 December 2020).



## Number of deaths in Poland in the years 2018-2020 (January-December)



Source: <https://zmiany społeczne.pl/w-2020-r-liczba-zgonow-najwyzsza-od-czasu-ii-wojny-swiatowej/> (accessed: 28 December 2020).

### Conclusions

Indeed, 2020 posted many social issues in Poland, mainly focused around the epidemic. At the same time, the development of the disease painfully showed deficiencies in key areas of social policy - education and health care. It has been known for years that they require a thorough reform and adaptation to the requirements of the 21st century - aging society, increasing importance of specialization and incorporation of the latest technologies into the education process are just few of them to mention. Both of these spheres are hence serious problems for the Polish state - now it is crucial not only to be aware of them, but also to treat them as a challenge to be solved in the coming years.

## **Overview of Romanian social developments in 2020: evolutions leading to higher social inequalities**

**Oana Cristina Popovici**

*Summary: Disturbance on the labour market, higher unemployment, lower revenues, confusion in education or health – these are the consequences of the Coronavirus crisis. Moreover, the evolutions throughout the year having impact on social development show that social inequalities in Romania were amplified, as some of the measures regarding pensions or education, although well intended, escalated the gap between population and regions.*

Due to its large Diaspora, Romania had a special situation once the European continent started to be covered by the coronavirus infections. Once the pandemics hit, a large part of the Romanians working all over the Europe, especially in Italy and Spain, returned home. During all this period, the fear of the authorities was that the sanitary system, old and unprepared for such issues, would collapse. Therefore, the state of emergency during spring was imposed with the aim of consolidating the health system and increasing the number of testing centres, while ensuring the supply of masks and protective suits or building mobile hospitals. Since the end of the state of emergency in May, the state of alert was continuously enforced, being extended from one month to the other, while restrictions were imposed in order to avoid as much as possible new infections without blocking the economy. Since the beginning of the pandemics until present, more than 591 thousand coronavirus infections have been confirmed, while almost 14,400 infected people died. The head of the emergency services indicated that no new restrictions are planned for the winter holidays, but the pressure on hospitals and on the intensive care units is increasing. The

Covid-19 vaccination campaign is planned to start before the end of the year with 10,000 vaccine doses intended, primarily, for the medical care personnel. The Government has approved the COVID-19 Vaccination Strategy and the authorities have planned that more than 13 million persons to be vaccinated in the following six months.

The labour market suffered a large shock, following the transformations imposed by the restrictions and the health problems. At least in a first phase, employers preferred technical unemployment for their staff and, where possible, working from home. However, a large drop of activity was seen in the sector of tourism and restaurants. The official unemployment rate hit 5.3% in October, according to the latest data, lower than the European Union (EU) average of 7.6% or the 11% threshold envisaged at the beginning of the pandemics. Still, the actual number of those without a job could be higher, but they do not meet the unemployment conditions and do not fall into this category.

The pandemics also affected the revenues of the employees. In the EU, Romania is the country with the lowest share of low-income jobs lost. Still, the employees with middle incomes were the most affected. This could have negative medium-term consequences for the situation of family finances and for the ability to pay the real estate loans they have contracted. As regards revenues, the average decrease was a bit over 4%, lower than the European average of 4.8%, meaning that Romania managed to have a lower decrease than in Germany, France or Italy. However, other countries in the region, more similar to Romania, such as Hungary, Bulgaria, Poland or the Czech Republic, performed better. Despite the low fiscal space of the Government for measures that ensure protection and contribute to the relaunch of the economy, one of the reasons for a lower than expected unemployment and revenues decrease was the Government decision to pay 75% of the gross salary for the period of technical unemployment, one of the first measures adopted for targeting social protection. Once with the evolution of the situation, other measures were approved, especially for the resumption of the activity. In this respect, the Government agreed to provide the settlement of 41.5% of the salary of employees returning from

technical unemployment and to continue to support technical unemployment in companies where restrictions were maintained, while paying half of the salaries during one year for new employees aged over 50, between 16-29 or for Romanians returning from Diaspora. Still, the most affected by the pandemics remain those starting the professional activity, aged between 16-24 years which are already confronted with severe unemployment, and also the 25-64 age group, which should support other family members as well, according to the Eurostat data. Such a situation could signal that the pandemics affected the most those employed, having families and other obligations or having difficulties in finding a job.

The education system suffered a severe hit once with the start of the pandemics. Schools and universities closed during the state of emergency and teaching activities were carried out using technology-assisted online learning, in order to avoid a surge of coronavirus cases. The traditional start of schools in September, with face to face activities, was soon cancelled by a new coronavirus wave and authorities might consider a reopening in April 2021. The Minister provided assurances that all the pupils will have access to online education by providing tablets for connecting to online classes, but the process was a difficult one. Moreover, such a situation raised the problem related to the quality of the educational services offered to the children and the issue of equal opportunities in education, as there are large gaps between the urban and rural areas as regards IT endowment and both teachers and pupils' digital skills.

As expected at the beginning of 2020, pensions increases were among the major problems in Romania. The National Liberal Party (NLP) Government hoped it could avoid the opposition's proposal of increasing pension by 40% starting with 2021, considering it an unfeasible promise. Instead, NLP proposed a schedule of gradual increases. Previously, international institutions, such as the International Monetary Fund, the European Commission or rating agencies warned on the negative consequences of a dramatic increase by 40%. Standard & Poor's analysts estimated that the increase in pensions, along with other social

expenditures, will push the budget deficit to over 10% of GDP, in the next two years, triggering a messy budget correction.

However, in September, in the dawn of the first round of elections which took place this year, the Parliament voted for the increase of the public pensions by 40%, with the support of the Social Democrat Party (SDP) majority. As a reaction, the Government notified the Constitutional Court on the adopted amendment regarding pensions, motivating that SDP members of the Parliament voted to increase pensions without identifying sources of funding for this extremely complex and controversial operation. The situation continues to be tensed at the end of this year, as the Constitutional Court decided to postpone for January 13 the decision on notifying the Government on the SDP amendment. At that point, Prime Minister Orban said that if there were enough funds, even the NLP would have made such a decision, in order to ensure the success in the parliamentary elections.

Several increases in pensions were made during the year but, as it was a percentage increase, those with higher pensions were more advantaged. This contributes to the deepening of the social inequalities, as there are large differences in the average pensions between counties and regions. Moreover, Romania has among the lowest pensions in the EU, which puts 20% of seniors at risk of poverty, according to European statistics. There is also a large difference between average pensions and the so-called “special pensions”, whose beneficiaries are judges and prosecutors, parliamentarians or aviation personnel. During the year, in order to restore an equilibrium between the financial situation of the pensioners and to unburden the public budget, the taxation of special pensions by 85% was also proposed. The Constitutional Court rejected this proposal, considering it unconstitutional. Therefore, problems regarding inequalities continue to be present. A recent analysis based on the latest data available through Eurostat regarding the level of wages adjusted for price point to a similar social inequality, as Romania has the second largest pay gap in the EU.

In addition, UNICEF warned that in the context of the COVID-19 pandemic, the already existing vulnerabilities could exacerbate pre-existing risks, such as limited access to social services, inequalities in access to education, poverty due to the traffic limitation which reduced the income of the families. Poor communities were negatively impacted in the provision of medical services since the onset of the COVID crisis, and online schooling deepened the inequalities in access to education for children from disadvantaged families, who do not have access to technological equipment or to the internet. The efforts for counteracting such a situation are still at the beginning. For example, the Parliament voted for a Minimum Package of basic services in the field of health, education and social protection, guaranteeing free access for all children in rural areas. However, the extent of these inequality issues has to be well assessed and, sometimes, political consensus has to be achieved, which might take longer than needed. The problems in education, public administration or health highlighted the low level of digitalization. Although efforts for improving the situation started to be applied, the potential remains high, given that more public services could be transferred online, a large part of population and employees in public sector still lack the necessary skills, while the gap with the rural areas is high.

# **Serbia's social development in 2020: A year in rewind**

Institute of International Politics and Economics

Belgrade

***Summary:** The year 2020 was probably the most unique for the lifetime of our generation. It was Covid-19 pandemic that erupted in Europe to blame for it. As of February, it significantly changed our perceptions of how modern everyday life should be facilitated and has put us into a new modus operandi of how we work, learn, and consume public goods. No nation has remained immune to the Black Swan manifested in form of a global pandemic, which left numerous consequences towards all organizational aspects of modern societies. This analysis sheds light on some of the most notable societal moments occurring within the Serbian society throughout 2020. Apart from the Covid-19 pandemic, several major things also influenced Serbia's population, such as the increased air pollution, various political occurrences including elections and violent protests, education system crisis resilience, and some very sensitive issues such as the legislative process related to missing babies.*

## **Air pollution**

At the beginning of the year, extensive air pollution contaminated some of the biggest Serbian cities, with Belgrade taking the upfront lead. More than a week within January and February timeframe ranked Serbian capital as the world's most polluted city. Air pollution drew intense attention by the domestic public not only because of the public health reasons but due to Serbia's ongoing EU accession process which depicts negotiating Chapter 27 that relates to environmental policy. The EU highly contests and condemns domestic situation in an area of ecology. National authorities claimed the pollution increased due to a vast number of individual firebox places and chimneys located within the cities. The

coming spring months have alleviated the situation, which, however, did not last for long, as in December, the air pollution for cities such as Belgrade, Valjevo, Niš, and Bor again registered an increase. This brought back overall anxiety of the population concerning the air quality within their cities. To make things even worse, the Serbian Environmental Protection Agency (SEPA) has alleviated standards for measuring the air quality in November, by lowering down measurement criteria, which reignited societal displeasure.

### **Covid-19 and its impact**

Political occurrences in general vastly influence Serbian society, ranking it among the most dynamic when it comes to turmoil and crises. With the latest Covid-19 crisis, Serbia experienced the third state of emergency within the time span of only two decades. This brought into agenda some controversies over whether these measures were proportionate. What evolved in Serbia's public, was the fear of concentration of unlimited executive power for the incumbent political actors. As a consequence of the imposed measures, the driving/walking circulation among the Serbian population has significantly fallen down – 66% for drivers and 75% for individual movements.

Even though Serbia did not register many cases *per capita* during the first two waves of the Covid-19 pandemic, national health authorities received extensive criticism over the crisis management. Internal political stage was significantly shaken in Serbia during 2020. July saw a series of violent protests across Belgrade's streets following the announced confinement as a concern of the second wave of the Covid-19 pandemic. These protests were held in Serbia's other major cities, while they were supported by the vast Serbian diaspora and were held in parallel in Paris, Zurich, and even in Boston and London.

The protests initially sparked in Belgrade only two weeks after the elections were held, due to a claimed mismanagement of the Covid-19 crisis and against the current Government. However, as the protests



evolved, list of the rationales for protesters was getting updated on a daily basis. Domestic think-tank BIRN has issued a report over the accuracy of statistics related to Covid-19 crisis, only one day after the elections were held, which further strengthened the public anger. Findings of BIRN stated that, between March 6 (when the zero-patient tested positive) and June 1, a total of 632 people who had tested positive for the Covid-19 died in Serbia, which is significantly discrepant from the officially announced data. For the same period, the health authorities claimed 244 deaths as a consequence of the Covid-19 pandemic.

Despite having won an absolute majority of more than 60% by the leading Serbian Progressive Party, these protests were probably the most challenging and serious issue for the incumbent authorities, and questioned many electoral issues within the society. In addition, some other irregularities have been claimed by the opposition parties, such as the uneven representation within the Serbian media for all the political stakeholders in political process, while most oppositional parties have boycotted the elections. Earlier in February, Serbian President, Mr. Vučić announced that electoral threshold would be lowered from current 5% to 3%, which was confirmed with new Law on Serbian Members of parliament Election, adopted on May 10. Most of the stakeholders didn't find this as an improvement of electoral process or increased fairness; rather, they believed this would increase chances for many "governmentally-directed" small political parties to enter the National Assembly.

### **The Missing Babies' Law**

Another sensitive issue that burdens Serbian society relates to several decades-long problem of babies' missing soon after they were born. At the end of February, Serbian National Assembly passed the Missing Babies' Law, which unfortunately did not resolve the process of truth hunting for the families who suffered due to their loss. Mysterious and quite frequent problem especially being exposed during the nineties was a huge burden

for the Serbian society. Babies were missing soon after their birth, without a clear indication for cause of their claimed deaths. Families who are organized into several formal initiatives are trying for years to determine what happened to their children, but unfortunately, this resulted in insignificant success. The issue was even brought before the European Court of Human Rights in Strasbourg, whose verdict obliged Serbia to determine institutional ways of how the facts must be determined in similar cases. Besides, the Government was obliged to pay some modest compensation to the families.

### **The second wave of Covid-19 deepens the crisis**

Summer brought more new issues to the agenda. A southwestern Serbian city of Novi Pazar became a major epidemic hotspot in June, which ignited locals who were blaming the central Government for bad conditions within the health system and overall mismanagement of the crisis, again. While Serbia had many other hotspots of the Corona virus transmission throughout the year, Novi Pazar was a quite specific case as its ethnic and religious structure is mixed, thus revived artificial divisions and unnecessary tensions among the domestic society, based solely on ethnicity and religion.

Educational system demonstrated significant crisis–resilience, being that schools were closed in Serbia, following the proclamation of the state of emergency on March 15. Though some experts were calling upon immediate closure of the complete educational system, Serbia’s national health authorities claimed that World Health Organization at that time did not recommend closure of schools and universities without strong evidence of virus transmission. And while universities facilitated examinational periods in June and in July with physical presence of the students and staff, primary and grammar schools were not open until the beginning of the new school year on September 1. With the situation worsening during October, it was advised that senior grades attend teaching process electronically, while most of universities, including the University of Belgrade (which is

attended by more than 100.000 students) decided that academic year will be facilitated completely remotely whenever possible, and respecting the type of studies.

On December 4, an entirely new Covid-19 Hospital was opened in Batajnica, a suburb of the Serbian capital. This, according to officials' claims, significantly reduced the pressure towards the health system, while another hospital is supposed to be soon finished and opened, by the end of the year. These issues came into agenda along with an enormous increase of Covid-19 positive tested cases, which in November and in December were ranging between 6.000 and 8.000 per day. However, the authorities are still quite reluctant to impose a new lockdown or to make the existing measures more strict, which was not accepted by the majority of stakeholders and public in Serbia.

Lastly, the labor conditions were also in focus during 2020. Serbian Government recommended to employers, who in conditions of emergency were not able to organize the work process, when sending employees on leave from work, in accordance with the law, to give preference of annual leave usage for their employees. In practice, numerous cases were declared to be unlawful when it comes to the labor rights and adherence of small enterprises towards their workers.

### **Conclusion**

One could expect that the quarantined population would experience a "boring" year, but 2020 as far as Serbian society is concerned was all but a monotonous one. Elections, Covid-19 crisis, violent protests, records in air pollution, and other major societal issues, were only the top of the peak of problems Serbia and its Government have faced with. Without a clearly indicated stance towards the potential lockdown measures for the forthcoming holidays, Serbian society enters a New Year with deep anxiety over what might happen to a domestic economy and to overall societal dilemmas and problems' resolutions in situation of a consistent focus to Covid-19 fight.

## **Slovakian major societal issues of the year 2020 revisited**

**Michaela Čiefová**

*Summary: In the January Slovakia Social Briefing, we outlined selected events that were expected to take place in 2020. In particular, we mentioned the parliamentary elections, election of the prosecutor general, and also traditional festivities and the debate about climate change and related environmental issues. Throughout the year, we have attempted to continuously report on the most interesting and noteworthy events and issues resonating in the Slovak society, even though most of them have been directly related to the ongoing COVID-19 pandemic. The current briefing aims to look back and comment on some of them, as well as include updates where possible.*

### **Parliamentary elections 2020**

The first occasion we will hereby review is the parliamentary election taking place on the 29<sup>th</sup> of February. Members of the parliament and political parties to form the government are elected every four years. In spite of Slovakia's being a relatively small country with only around 5.5 million citizens, numbers of political parties trying to win votes have been unproportionally high for the last election periods. Some of the parties already have a long history of existence; then there is a tendency for other parties to emerge prior to the elections. In case of failure (which is very often the case), most of them simply cease to exist. In the 2020 parliamentary elections, the electorate could have chosen among 25 political parties and groupings. Despite the high number of parties to choose from, for some people there was no feasible option, they said.

In order to win some seats in the National Council, a party needs to get at least 5% of the votes. The 2020 elections resulted in a variety of political parties in the Parliament. Overall, six parties gained the percentage

of votes necessary, whereby they represent distinct “colours” of the political spectrum. The winning party – or rather a grouping or a movement – OĽANO (*Ordinary People and Independent Personalities*) managed to attract more than 25% of voters and found partners to form the government with. The new Prime Minister and leader of OĽANO Igor Matovič has since been criticised not only for his handling the coronavirus crisis, but also for his sometimes slightly undiplomatic rhetoric. At the moment, his opponents are demanding his resignation or an early election. On the other hand, the percentage of people that voted for him and his party is an indicator of an unhappy and unsatisfied nation, demanding a change after politicians considered associated with corruption and other illegal activities were running the country.

In Slovakia, eligible to vote is every citizen from the age of 18. Furthermore, it is also possible to vote from the abroad. What we perceive as an issue is the unwillingness of many citizens to go to the polls – be it parliamentary elections, presidential election or election into the European Parliament. What is more, those abstaining from voting usually complain the most about what is going on in the country and what the government is doing...

### **COVID-19 Pandemic, Anti-Pandemic Measures and their Impacts on Gastro and Education**

At the moment, more and more people are starting to express their dissatisfaction with the government’s dealing with the coronavirus crisis. People are claiming that the government – and especially the Prime Minister - is failing to fight the pandemic, and that the adopted anti-pandemic measures are illogical and not thought through. Businesses most affected by the crisis are struggling to survive, begging for help from the government, but almost none is coming. Most of the pupils and student have spent the entire school (or academic) year studying from at home.

Broadly questioned or even criticised was also the decision to test the whole nation – an event of unprecedented scale, requiring enormous

financial means, personnel, and logistics management. Municipalities literally had only a couple of days to ensure everything to make this happen. In the end, an unexpected number of citizens decided to have themselves tested – more than 3.5 million. The reason, however, was often not the fear of the infection, but rather the threat of compulsory quarantine in case of not taking part in the testing, hence not being allowed to go to work.

One of the measures at place during the elaboration of this text is the prohibition concerning restaurants and other gastro services to allow people inside. What is still allowed while finalising this briefing are terraces, but this will change as of December 11<sup>th</sup>. The original regulation seemed to be vague, allowing businessowners to find feasible, yet perhaps not entirely safe options. For instance, it was not clearly defined what actually a terrace was. Logically, when talking about measures aimed at lowering the possibility of being infected, a terrace should mean an open-air space. However, many owners of bars, coffee shops and restaurants have understood the notion in a different manner, namely as a space outside of the building that can be surrounded by a tent, glass or other barrier to prevent from wind and cold. A completely closed terrace with no possibility of air fluctuation is not very different from usual gastro premises. On the other hand, it is completely understandable that restaurants and similar services were trying to serve as many customers as possible and to make them feel comfortable, as they were closed for a long time and suffered considerable financial losses. The situation seemed to have normalised in summer, but with the worsening situation in Autumn, the policy makers have decided to tighten the measures again. Starting on December 11<sup>th</sup>, even terraces must remain closed. The only possibility is take-away food.<sup>116</sup>

As for schools and universities, these must have reoriented to online education already in the first stages of the pandemic. With the exception of the first level of primary schools (years 1-4 of the compulsory education), all pupils and students have been learning from their homes for a long time

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<sup>116</sup> Source: TASR (The News Agency of the Slovak Republic): <https://www.tasr.sk/tasr-clanok/TASR:20201209TBA02976>.

now. This situation not only represents a burden for the parents to master the new time management setup, and to partially substitute the teachers; it also hinders the possibility for children to socialise and acquire interpersonal skills. Teachers must have found new ways to deal with the sudden switch from the traditional in-person education process to the digital world. Online learning, on the one hand, can eventually contribute to the development of digital skills; on the other hand, it also highlights the differences among students and pupils in terms of their access to the necessary equipment – computers and Internet access. There are still plenty of Slovak families that cannot afford it. Moreover, many study programs – at high schools or universities – consist of a theoretical as well as practical component. The conduct of the practical part of learning has been significantly challenged.

### **Election of the General Prosecutor**

As reminded in the introduction of this text, one of the most discussed issues in the Slovak Society has been the election of the prosecutor general. Having been elected by most of the present MPs, Maroš Žilinka was officially declared the new prosecutor general on 10<sup>th</sup> of December to serve the next 7-years term. The president of the Slovak Republic, Zuzana Čaputová, expressed her belief and hope that this day shall represent a new era of the prosecutor's office. The newly elected prosecutor is expected to ensure that everyone is equal before the law. In her speech, the president pointed out the current state of the prosecutor's office, formed as an entity of its own – a state inside a state. This is expected to change now.<sup>117</sup>

### **Christmas as Merry as Possible**

It is obvious that this year's Christmas will be considerably impacted by the pandemic. As thousands of people have become redundant at work

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<sup>117</sup> Source: TASR (The News Agency of the Slovak Republic): <https://www.tasr.sk/tasr-clanok/TASR:20201210TBB00200>.

or have been forced to close their businesses, it will be impossible in many families to allow to arrange everything for the Christmas festivities, such as getting presents for their children and relatives. Even sadder is the fact that many families will be missing somebody at the Christmas Eve dinner, not only due to measures aimed at social distancing and restricting gatherings of more than 6 people, but also because of the losses of their loved ones. According to the latest anti-pandemic measures, there will be no lockdown during Christmas.

Perhaps a little more positive has been the initiative called “*How much love can a shoe box contain?*”<sup>118</sup> For the third time already, people had the opportunity to make Christmas a little merrier for those who may have no one to share this magical time with, namely seniors from the retirement homes. Several weeks before Christmas, the social media were filled with posts and pictures of nicely wrapped boxes including various little presents, such as candies, cosmetics, socks, hand towels, frequently accompanied by (handmade) Christmas postcards or letters. Even several schools contributed to this initiative. Each year, more and more people participate. During this year’s edition, almost 23,000 boxes were collected.<sup>119</sup> At the moment, they are being distributed to the senior homes. As contradictory as it may sound, we suppose, this year’s edition has been an enormous success also due to the pandemic, which has been intensifying the feelings of loneliness among certain people, but also the feelings of solidarity and desire to help those who really need it.

Except for the above-mentioned initiative, there are further ways how to help. Several civic associations are organizing charity runs to raise money for children; collections of grocery products for those in material need, such as the homeless; or auctions to support sheltered animals – also they can be recipients of support.

To conclude, now as the Christmas is already all around, let us be truly solidary towards each other. And, provided we can, let us help to make

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<sup>118</sup> Author’s loose translation from the original Slovak name: “*Kolko lásky sa zmestí do krabice od topánok?*”

<sup>119</sup> For more information about the initiative see: <https://www.kokolasky.sk/>.



this time a little more pleasant for anybody who may not be as lucky as we are.

# **Covid-19 in Slovenia: from a public health issue to a societal crisis**

**Helena Motoh**

***Summary:** The developments in Slovenian society in 2020 were predominantly marked by the Covid-19 pandemic. In Slovenia, there were two discernible waves of the epidemic this year, the first one in spring and the second one, which has still not subsided, in autumn. A number of public health measures were adopted by the government and two periods of lockdown of public life were put in place, the first one markedly more successful than the second. Apart from the economic damage of the epidemic and the lockdowns, society suffered a lot of adverse consequences as well, most notably the effect on the education system and the effect on cultural workers and the cultural industry in general.*

## **The first wave of the epidemic**

After the rise in cases in the neighbouring Italy, especially in Veneto region which is close to the border between the two countries, Slovenia started the testing for new Covid-19 in January and February 2020. In the beginning of March, first positive test was done with a man that recently returned from a travel in Morocco. Most of the detected cases in the first week were imported, but the number grew as result of the previous two weeks of school holidays when a lot of Slovenians went to the ski destinations in Northern Italy. Public gatherings were gradually limited, and hygienic measures tightened. Epidemic was declared on March 12, just a day before the new government was sworn in, and the active cases on that day were nearing 100. First harsh measures followed in the following days, public transport was stopped, schools closed (universities already stopped

lectures the previous week), restaurants and bars were closed. Stricter ban on all unnecessary movement in public spaces (except for recreation) was put in place on March 20. Movement between municipalities was banned on March 30. According to the number of active cases, the peak of the epidemic was reached a month after the first detected case, on April 3<sup>rd</sup>, when there were 609 active cases in the country. According to the number of deaths the peak of the first wave was few days later with around 5 deaths per day. From late April onwards a gradual relaxation of restriction measures followed, with movement across municipalities being allowed again on April 30, public transport starting on May 11 and kindergartens and primary schools gradually reopening from May 18 onwards. With the end of May Slovenia was the first country in Europe to declare the end of the epidemic.

The most affected part of the population in the first wave were the elderly people, especially residents of the nursing homes. *Almost a third of Covid-19 cases and 79% of all deaths were among the residents and the staff in the nursing homes. Many aspects of these institutions were discovered to be seriously deficient in dealing with an large-scale epidemic: lack of equipment, old facilities, lack of staff, unclear instructions of health institutions etc. Although a number of the shortcomings were identified after the first wave and the government was explicit about not letting the situation happen again, the second wave again cause a large number of infections and deaths in the nursing homes.*

### **The second wave of the epidemic**

Just over a month after the proclaimed end of the epidemic, the situation started worsening in the region, especially in Bosnia and Herzegovina, Serbia and Kosovo. A quarantine was put in place for these three countries on June 19. In the summer months the epidemic gradually spread to Croatia. The government, relying on the guarantees by the government of Croatia that epidemic was under control in the coastal regions, was slow to adopt quarantine measures and the end of the holidays

saw a quick rise in the number of case, that the travel ban the last week of August could not stop anymore. At an unprecedented rate, the number of active cases grew from 468 on September 1 to 1908 on October 1 and 22,533 on November 1. Measures to prevent the spread were put in place, but with an already spread epidemic, the slowing down was much less efficient. Mask wearing became mandatory in closed spaces and crowded public places from September 19, all public gatherings of over 10 people were banned from October 9 and schools closed from 6th grade of primary school onwards on October 19. A different approach was initially used for closing down businesses, with diving the country into red and orange regions, but from October 23 all regions already reached the threshold of being labelled red. In a controversial and widely criticized move, a night-time curfew was adopted (from 21:00 to 6:00) from October 20. A strict ban of all unnecessary commercial activities, restaurants, bars, hotels and other activities was put in place on October 24, just before autumn school holidays. It soon also became clear that the autumn holidays will be the beginning of the closure of schools for the remaining 5 grades of primary school and the kindergartens.

In contrast to the first wave, the lockdown was much less efficient. Many factors contributed to that, and the interpretations varied with different experts. The obvious seasonal difference doubtlessly contributed to people spending more time indoors, which led to higher infection rates. Other factors were also of importance. The tracking of contacts at the level of public health authorities completely stopped due to the high number of actively infected people. Even more, the system of issuing mandatory quarantine orders completely collapsed in mid-October, which meant that many potentially infected contacts received no proof of potential infection so they could not stay at home without sanctions at their workplace. Even when getting those, the low compensation for quarantine time also caused many people with lowest income to continue working in order to secure the already extremely low salary. As a result of there systematic shortcomings, the rather strict lockdown did not result in anything more than a plateau of

the number of active cases, which continues with little change from mid-November onwards.

### **Effects on society**

Along the economic and employment issues brought by the lockdown, the collapse of small businesses, the growing unemployment and extremely damaging effects on tourism and hospitality industries, two aspects of the society were especially affected by the lockdown and subsequent developments: education system and culture.

The first wave of the epidemic had an extremely harmful effect on cultural industry in general, as all its various activities were virtually stopped. Libraries, bookshops, music and theatre venues and any type of performance was stopped. The effect was especially detrimental for the self-employed cultural workers, since they had no income to rely on and received very little support in the framework of “coronapackages”, state aid programme. With most of the bans staying in place also between the two waves and then in the second wave, this part of Slovenian society is among the worst hit, a situation that was additionally worsened by the conflicts between the cultural workers and the new Minister of Culture, Vasko Simoniti.

The effects of the lockdown on school system are also worrying. Although the official position of the Minister of Education, Simona Kustec, still is that home-schooling is working efficiently and that children and students have not experienced any serious shortcomings, there are many expert groups and civil society associations (headmasters, education experts, parents’ associations, university deans etc.) that voice an opposite claim. Apart from the impossibility of parents successfully navigating both working from home and teaching their children, other factors are being stressed by the mentioned groups, most notably the deepening of the income and social differences between children from different family backgrounds, increase in home violence and neglect and a much lower educational output compared to the in-class education.

## **Conclusion**

The first and the larger and still ongoing second wave of the epidemic marked most of the societal developments in the year 2020. The lockdown measures which were imposed and periodically lifted and reimposed, not only caused damage to the economic aspects of the Slovenian society and increased unemployment but have also damaged many aspects of societal life in general. In addition to the elderly, who were, due to different factors, most directly affected by the epidemic, the education system and culture suffered the most. While the epidemic still lasts, it is difficult to fully assess the long-term damage for both, but many people fear that the negative effects could take a long time to overcome.

## **Part IV Review of External Relations**

## **Foreign policy in 2020: Albania's hopes that never materialized**

**Marsela Musabelliu**

*Summary: 2020 had all efforts focused inwards, while foreign relations were limited at the only sphere of cooperation in fighting and containing COVID-19. Deeper cross-border cooperation in times of pandemic became a necessity, especially for developing countries with numerous structural problems in their territories. As Albania has discovered in these dire times, friends and allies from far and near, become crucial in overcoming challenges in the midst of the pandemic. Yet, despite everything, the foreign policy stage has not been entirely uneventful, from the United States (US) to China, from Brussels to the Mediterranean, Albania's number one policy maker, Prime Minister (PM) Edi Rama, who is simultaneously Minister of Foreign Affairs, has been the master, the commander and the executor of any important message and action of Albania outside its borders.*

### **Background**

2020 was supposed to provide Edi Rama, with an ever-growing presence in important international panels given the presidency of Albania in the Organization for Security and Cooperation in Europe (OSCE). As PM Rama has always been striving for some limelight, this could have been the year for him to showcase his causes and his convictions. However, with the spread of COVID-19, priorities of all countries affected shifted inwards and limited attentions is left to engaging in bilateral and multilateral endeavors. The fact that Rama did not showcase his ambitions abroad, does



not mean that foreign clout is not present in Albania. International emissaries are very well placed and present in the Albanian public discourse, especially the ones of Euro-Atlantic provenience. They are cited, invoked, praised and beseeched from political parties and main decision-making actors, and Albanian politicians know are all well aware that without the endorsement, support and blessing of the international factor, (political) power cannot be reached.

### **Acquiescing with EU's verdicts**

Albanian's priority in foreign affairs is clearly the path to the European Union (EU) integration and the fulfilling of pre-accession criteria with Brussels; however, this year the attention had a drastic shift, and the focus of EU member states was everything but enlargement. As 2020 was divided into the Croatian and the German presidency of European Council (EC) there were some hopes internally that maybe, at last, some true progress into the integration path would be present, yet, no tangible outcome arrived. When it comes to Albania, the country with the most pro-European population in the region, Brussels has been more rigorous than before. Condition after condition, the opening of accession talks are postponed for several years amidst many double standards for the Western Balkans. In spring, the EC, adopted the conclusions on the EU's enlargement policy and the EU-Western Balkans Stabilization and Association process for Albania (and the Republic of North Macedonia). However, in the beginning of June, a special hearing was held in the Foreign Affairs Committee of the European Parliament on the situation in Albania. According to the documents released, Albania will first have to meet 15 conditions in order to advance the opening of chapters to join the EU. By the end of 2020 the General Affairs Council (GAC) discussed the two negotiating framework with the two south-east European countries, among other topics and no unanimous decision was taken, which means that EU talks for the two countries will not start within the year. While juggling between carrots and sticks, the path to EU accession seems never-ending.

## **Conforming to US initiatives**

Whenever there is any kind of crisis in Albanian politics, the reactions of the US ambassador is immediate. With the highlight of 2020 being not abandoning key reforms every time there is a controversial issue the US Embassy indicates the guidelines and their recommendations on the solutions. The presence and the public narrative of American diplomats in Albania has been decisive in many crucial moments of the country's path to progress, in 2020 it has all been about the Justice Reform. To this point the ambassador of the US is becoming a pivotal figure in the sense of what direction will Albanian justice will take in the near future, and appears highly invested in the ongoing of reforms and political events in the country. The importance and the political weight of ambassador Kim is easily perceived by many declarations of local politicians, as well as for the undivided support of the civil society in the country. From inviting the main political actors at her private residence, to warning the parties on a "backroom deal" to stall the reforms, the US emissaries in Tirana, are well heard. On the other hand, locally these rumors for a backroom deal (among main political parties) are disheartening for Albanians as well and the suspicions coming from the very initiators of the reform are disturbing. If the architects of the same are hinting of shady deals it means that the entirety of the reform is at jeopardy.

With the new administration in the US, it is not likely that the behavior will change or shift. Indeed, it doesn't matter if the Republicans or Democrats are in power in the US, mostly their impact on Albania is the same in decades.

## **Gambling with Greece and Turkey**

The Albanian PM traveled to Athens in the capacity of OSCE Chairman-in-Office to participate in a forum, while a personal meeting with counterpart Kyriakos Mitsotakis was high on the agenda. A day before the stop in Athens, Edi Rama met with Turkish President Erdogan. Via a message on his social networks, Rama mentioned that the meeting,

seemingly quite informal, took place at the summer residence of the Turkish head of state. “A dear friend” he notes regarding Erdogan, while writing that they extensively discussed on about the relations between Albania and Turkey, as well as the situation in the Western Balkans region. Rama's trip to Athens in 2020 came at a time of escalating tensions between Turkey and Greece, a situation that has forced the EU and NATO, both of which are members, to set in motion to avoid a military confrontation in the Mediterranean. As Rama himself has taken on the “burden” of leading his country to the EU and in fact expects a date to be set for the start of negotiations with the approval and assistance of Greece, his position is not very comfortable and he cannot step on two "ships" and project pompous statements such as "we are in strategic cooperation with Greece and Turkey." At some point, he will face the dilemma of "Greece or Turkey" and he will have to decide whose side he will have to take. It is understandable that Athens, which has in its hands the strong European card, will consider and its own interests. The question remains: how far is Albania (or in this case PM Rama) willing to go in concessions and promises for a seat on the EU table and Albania's EU membership. How much will Erdogan influence on this decision? In 2020 this question was not answered.

### **Overstepping with China**

In 2020 China has been present in the Albanian public discourse extensively; while the first months of the year were characterized by news on the situation in mainland, the rest of the year had mainly as headline the US-China “animosity” and the declarations on PRC coming from the Trump administration. When the pandemic hit Albania in early March, it has been noted that the lack of expressing explicit request for help to PRC in times of need was the first shortcoming of the Albanian political establishment in relation to China for 2020, asking or not, three batches of aid arrived from China in help to the Albanian people. In July 2020, during an interview with the German paper *Build*, PM Rama hinted that he did not believe the official figures of Covid-19 coming from China and most

importantly he hinted that too many questions remains unanswered and the responsible party should be held accountable. To, add more fuel to the fire, on October 2<sup>nd</sup>, 2020, Rama, received a letter form Donald Trump. The letter started by commending Rama's leadership role for the Balkan region and throughout Europe in exposing China's "malign" influence and urged Albania to exit the "17+1" platform. Furthermore, two days after this letter, in the physical presence of Rama in Tirana the US Under-Secretary for Economic Growth Keith Krach, willingly and purposely started to attack China in a joint press meeting (and other media appearances). The fact that these allegation were let unanswered, neither confirmed nor denied, demonstrates plenty on where Rama is standing. On the other hand, the Chinese Embassy in Albania reacted immediately by stating that these declarations deliberately provoke China-Albania relations. For many in the country it is known that in this big game of great power politics Albania cannot afford to take sides, especially since a detachment from the "17+1" platform would be consequential in the long run. It is quite complicated to decipher the Albanian policy behavior towards PRC, not only in 2020, but also for many years back.

It is our argument that the current political behavior of Albania towards China is only symptomatic of deeper underplayed issues. If in previous years, official policies and behaviors coming from Tirana would slide from reluctant to sluggish, in 2020 they went a step further.

## **Conclusions**

Confusion, misperceptions, relentlessness and subordination – the foreign policy of Albania is a pot of mixed emotions and attitude, in a year in which more than ever, pressured by the Trump administration, small countries were placed at a corner, obliged to choose and takes sides, Albania was no exception. However, what was needed the most, a vibrant diplomacy able to overcome differences and act swiftly in fighting the pandemic, was never present.

## **BiH in 2020 and old issues in a new pandemic situation**

**Zvonimir Stopić**

***Summary:** The external relations of Bosnia and Herzegovina in the year 2020 can roughly be divided into 4 categories: a) Integration of Bosnia and Herzegovina into the European Union; b) External relations regarding the coronavirus pandemics; c) the attempts to propagate diversity and secession of Republika Srpska; and d) effects the memorial days of Srebrenica and Bleiburg repatriations had on the image of Bosnia in the region and the world.*

### **Integration of Bosnia and Herzegovina into the European Union**

In the year 2020, Bosnia and Herzegovina continued to walk the path that, generally speaking, is leading toward the European Union. However, the resolute determination Bosnia and Herzegovina is expected to show while walking on that path still seems to be lacking. This was plainly visible during and after the meeting the members of Bosnia and Herzegovina's Presidency, Šefik Džaferović, Željko Komšić and Milorad Dodik, had with the European Union Enlargement and Neighborhood Commissioner Oliver Varhelyi, the European Parliament President David Sassoli and the European Union High Representative Josep Borrell in late September in Brussels. Behind the enthusiasm that their country might reach a "membership candidacy status" during the year 2021, that the three Bosnia and Herzegovina's leaders showed in front of the cameras right after the meeting, laid very little of what might support their claim. As several analysts pointed out, up until September meeting Bosnia and Herzegovina made almost no progress in fulfilling the so-called "fourteen points" requirements for reaching the candidacy status already set by the European Union in May 2019. The notion that Bosnia and Herzegovina will somehow suddenly fulfill the requirements within the next year does not sound very plausible. More so because many requirements actually call for some more

or less significant constitutional adjustments, which for Bosnia and Herzegovina might be as dangerous as opening the Pandora's box. To make things worse, about one week after the Brussels meeting, the European Commission itself published a 2020 report on the Western Balkans in which Bosnia and Herzegovina was described as a politically blocked country, which made no observable progress in the reform of public administration and little to no progress in the reform of the judiciary, struggle against corruption or fundamental rights of minorities. Currently, as it seems, the only way for Bosnia and Herzegovina to actually reach the membership status in 2021 is not if Bosnia and Herzegovina changes in favor of the rules, but if rules change in favor of Bosnia and Herzegovina.

### **External relations regarding the coronavirus pandemics**

As soon as SARS-CoV-2 entered Bosnia and Herzegovina, this country became a part of larger international mechanism of fighting against the pandemic. During its first “wave”, lasting roughly from March to June, due to the closing down of borders, the pandemic affected international trade and movement of the people. For a short time, entire Bosnia and Herzegovina became cut off from the world, but was not alone in this predicament. Besides affecting Bosnia and Herzegovina's relations with other countries in such way, pandemics also brought a different type of dynamics in international relation, which revolved mostly around the foreign aid intended for the containment of the virus and for mitigation of the damages to the always fragile economy of the country. Among several others, Bosnia and Herzegovina received aid, mostly in form of medical and protective equipment from the United States, the World Health Organization, the Russian Federation, Serbia, the North Atlantic Treaty Organization (NATO), People's Republic of China, Malaysia, Turkey, Norway, Croatia, Hungary and Azerbaijan. However, compared to all the others, the European Union was by far the largest donor to Bosnia and Herzegovina. Besides continuous aid in medical equipment and protective gear, the European Union also acted quickly to set up large packages for entire Western Balkans, with Bosnia and Herzegovina taking its part. The

first European Union aid package to the Western Balkans countries, negotiated at the beginning of the crisis, was valued at € 410 million, and Bosnia and Herzegovina's part at € 80.5 million. Soon after, the European Commission announced in late April that Bosnia and Herzegovina will receive another € 250 million of assistance, which was also a part of a significantly larger financial package aimed at the Western Balkans as a whole.

### **The attempts to propagate diversity and secession of Republika Srpska**

Year 2020, could not pass without calls for secession of Republika Srpska from Bosnia and Herzegovina. Milorad Dodik, leader of the Alliance of Independent Social Democrats (Savez nezavisnih socijaldemokrata, SNSD) and Serbian member of Bosnia and Herzegovina's (BiH) presidency was again the main protagonist of all such initiatives. His words "Goodbye BiH, welcome RS exit," spoken in the National Assembly of Republika Srpska's (RS) on February 17th, also echoed outside of Bosnia and Herzegovina. The celebrations of 9 January, a controversial holiday that marks the unilateral proclamation of a separate (Serbian) entity in 1992, were deliberately spread outside of Republika Srpska. Separate and advertised celebrations were also held in Toronto, Antwerpen and Belgrade, and did not pass without being noticed by the world's powers. Unlike the European Union and the United States, which did not react well regarding the celebrations, the Russian Federation gave its full support to the Republika Srpska in this matter. Besides events such as January 9 celebrations, and occasional suggestions for the revision of the Dayton Accords, the single most significant event Dodik used in an attempt to push forward the idea of Republika Srpska's secession was the agreement made by President of Serbia Aleksandar Vučić and Prime-minister of Kosovo Abdullah Hoti agreement on normalization of economic relations between Serbia and Kosovo in the White House on September 4th. Already during the announcement that the meeting and

agreement between Serbia and Kosovo will take place, Dodik began his campaign of equalizing the case of Kosovo with the “case” of Republika Srpska, completely disregarding the official positions of the United Nations, the European Union and the United States, all of which do not view Republika Srpska as a political entity that has any legal or historic basis for demanding independence in a way Dodik would like. More so, even though some world powers, such as Russia and China, do agree on similarities between some aspects of Kosovo and Republika Srpska issues, neither of them ever made any direct or any kind of comparison between the two. This issue makes the relations between Kosovo and Republika Srpska a difficult one, mostly because Dodik also boycotts any attempt of Bosnia and Herzegovina’s government to officially recognize Kosovo, making Bosnia and Herzegovina, alongside Serbia, the only country in the region which still does not recognize the independence of Kosovo.

### **The effects the memorial days of Srebrenica and Bleiburg repatriations had on the image of Bosnia in the region and the world**

Besides what was mentioned so far, another two events in 2020 made their mark regarding the international image of Bosnia and Herzegovina. Following the cancellation of the usual Bleiburg repatriation commemoration due to the SARS-CoV-2 coronavirus epidemics outbreak, the organizers and sponsors, decided to set up three separate events on May 16th, one of which which, besides Austria and Croatia, was the requiem mass in the Sarajevo Cathedral of the Sacred Heart of Jesus. Thanks to the coronavirus, Bosnia and Herzegovina thus became a part of the controversial commemoration which every year is consistently used to glorify the infamous Ustasha regime. Negative reactions to the event came from Israel, the European Union and the United States. The other event, the memorial day of Srebrenica genocide, is undergoing a different process, the one that is slowly pushing this grim event into a state of oblivion. Besides many current and past foreign leaders, such as the Antonio Guterres, Justin Trudeau, Pedro Sanchez, Michael R. Pompeo, Boris Johnson, Prince Charles, Bill Clinton, Madeline Albright, to mention only



some, remembered Srebrenica, the many examples of public relativization and denial occurring around this year's memorial day only pointed more to the fact that the nonexistence of the legal framework for banning of the denial of genocide in Srebrenica within Bosnia and Herzegovina continues to be a serious problem.

### **Conclusion**

The external relations of Bosnia and Herzegovina in 2020, similarly as in previous years, revolved mostly around the tracks set firm in place by the country's internal politics. The always growing divisions between the Bosniaks, Serbs and Croats, the Dayton Accords, country's attempts to move forward with becoming a member of the European Union, as well as the anniversaries of the controversial holidays, and the memory days of Srebrenica massacre or Bleiburg repatriations, were among those events which had an impact on the dynamics on both the Bosnia and Herzegovina's external relations and its image abroad. The COVID-19 pandemic itself overall did little to slow down or change any of the above mentioned processes. When it comes to other countries, besides neighboring Serbia and Croatia, traditionally most involved were the United States, Russia, the European Union and China.

## **Overview of Bulgarian international relations in 2020**

**Evgeniy Kandilarov**

In the year 2020 Bulgarian main foreign policy priorities didn't change and basically remain the same. On the first place they are mainly related to the country's membership in the European Union and NATO. This means priority foreign policy relations mainly with the USA and with the leading Western European countries in the EU, among which Germany ranks first in Bulgarian foreign policy. At the same time, the country's close and allied relations with the United States set the main directions of Bulgaria's foreign policy towards countries considered as rivals of the US such as Russia and China. Along with this central axis of the Bulgarian foreign policy coordinate system, in 2020 the Balkan policy of Bulgaria stood out, as the relations with Republic of Northern Macedonia deserve special attention.

The USA geopolitical interest on the Balkans has both economic and military-political and strategic dimensions. These interests are clearly linked to two main strategic goals against Russia on the one hand and the PRC on the other. From this point of view Bulgaria is one of the most important US military and political allies in Southeast Europe and the Black Sea region. Particularly an example of the serious military ties between the two countries was the deal for modernization of the Bulgarian army by purchasing F16 aircraft from the USA. In June 2020 the first Bulgarian pilots who will fly the newly purchased planes went to specialize in the United States, and according to the agreement signed between the governments of Bulgaria and the United States, the training of 65 engineering and technical staff is also envisaged.

At the same time, the United States is putting pressure on the Bulgarian government to engage the country in regional initiatives that

have both economic and political functions. The most significant example of this is the so called “Three Seas Initiative” which is not simply a project for greater economic, infrastructural and energy connectivity in Eastern Europe but a purely “anti-Russian pact”, the main purpose of which is to isolate Moscow and create a sanitary cordon between it and Germany. In this regard USA have been keen on supporting and investing in the region, aiming to roll back Russian influence and counter Chinese “17+1” and “Belt and Road Initiative” investments in the CEEC region. In this regard Bulgaria and the United States have wide range cooperation in the field of liquefied natural gas. In 2020 Bulgarian government continue trying to develop the overall concept for the Balkan gas hub so during the year one of the key infrastructure projects for Bulgaria was the construction of an interconnection gas connector Greece-Bulgaria.

Speaking of the Three Seas initiative, Bulgaria has already invested more than BGN 1 billion. From the very beginning of this initiative, Bulgaria has been actively involved in all steps for its implementation. On October 19 at a special ceremony during the summit of the "Three Seas Initiative" countries in Tallinn, Bulgarian President Rumen Radev took over the chairmanship of the initiative for the next 2021 year.

Together with this Bulgaria and the United States are considering the possibility of an expanded American presence at Bulgarian territory, with the rotation of troops and intensified joint exercises and training. This is a result of the implementation of the Agreement between the governments of the two countries for cooperation in the field of defense and increasing the efficiency of the Joint Facilities and with the potential to upgrade the implemented joint activities. Bulgaria and the United States are allies and strategic partners trying to deepen further their relations, not only on a bilateral basis, but also within NATO and the EU-US.

Simultaneously with the manifestations of deepening strategic partnership between Bulgaria and the USA, in 2020 there were series of signals for gradual deterioration of the relations between Bulgaria and **Russia**. On September 24 Bulgarian foreign ministry has declared two Russian diplomats persona non grata after the Bulgarian public prosecutor

alleged they had been seeking out classified information on Bulgarian military modernization plans since 2016. The same thing happened in December when one more diplomat from the Russian embassy in Sofia, a military attache, was declared a *persona non grata*. In the course of the investigation of the pre-trial proceedings it was found that in the period from 2017 to the present he has carried out intelligence activities in which military information was collected, including the number of troops stationed in Bulgaria during of the U.S. military exercises. Actually in less than a year, Bulgaria has declared Russian citizens accused of espionage ‘*persona non grata*’ for the fourth time. Additionally, two Russian diplomats were ordered to leave in January on accusations of espionage as well. This means that only in 2020 the Russian diplomatic mission had five employees removed from Bulgaria.

How these diplomatic scandals will affect further relations between Bulgaria and Russia remains to be seen.

At the same time it should be noted that Bulgarian government is trying to balance and not take too extreme positions towards Russia since Bulgaria cannot ignore the country's huge dependence on Russian energy supplies. Interesting here is the fact that despite Bulgaria's allied relations with the United States and the participation of initiatives such as the "Three Seas", the Bulgarian government is taking advantage of the opportunity to participate in the construction of another strategically important energy project. It is about the construction of the gas pipeline known as "Turkish Stream" which will carry Russian natural gas to southern Europe through Turkey. The Bulgarian government seems highly motivated to participate in the project, building up the part from the Bulgarian-Turkish border to Serbia. Bulgaria is calling the project "Balkan Stream". According to a number of foreign policy experts, this is a risky international game for Bulgaria, which is trying to balance the political pressure of Russia and the United States in this apparently much larger geopolitical and geoeconomic race involving the Balkans and the Black Sea region.

Bulgarian international relations within the EU in 2020 was based mainly on the economic opportunities that the Union provides to the

country for accelerating economic development and catching up with the socio-economically developed west European countries. At the same time Bulgaria-EU relations during the year were also focused on the opportunities the Union is giving to Bulgaria to deal with the consequences of the COVID-19 pandemic.

In 2020 Bulgaria succeeded to reach an important milestone in country's efforts to join the Euro area. In July, at the request of the Bulgarian authorities, the finance ministers of the Euro area Member States of the EU, the President of the European Central Bank, and the finance ministers and central bank governors of Denmark and Bulgaria have decided, by mutual agreement, to include the Bulgarian currency (lev) in the Exchange Rate Mechanism (ERM II). The Commission has been involved and the Economic and Financial Committee has been consulted. The central rate of the Bulgarian lev was set at 1 euro = 1.95583 leva. It is expected that the participation in ERM II will help Bulgaria to strengthen the resilience of its economy and eventually support Bulgarian government in its efforts to adopt the Euro.

During the year, Bulgaria actively participated in the negotiation of all programs and mechanisms through which EU member states showed solidarity to deal with the socio-economic consequences of the pandemic. Due to this help next year, Bulgaria will have BGN 804 million from the REACT-EU instrument to deal with the consequences of the pandemic. REACT-EU support is distributed in two tranches to the EU budgets for 2021 and 2022, with funding for Member States for 2022 to be set in the autumn of next year. In 2021, Bulgaria will be funded measures to support investments in health care products and services, investment support for small and medium enterprises, employment schemes and support for the self-employed. Funds are also provided for the continuation of the so called "Hot Lunch" project under the European Assistance Fund for the Most Deprived. Together with this the loan under the European Instrument for Preservation of Employment SURE, for which Bulgaria is applying, will have a maximum average maturity of 15 years, and the provided financial assistance must be used within 18 months after its granting. The maximum

amount provided for Bulgaria, is 511 million euros, which the government will direct to finance the employment measure 60/40. The country will request the funds in two tranches, which according to the Ministry of Finance will be used by March 2021.

Furthermore, Bulgaria will receive 11.5 billion euros from the European Union's cohesion funds over the next seven years that will be spend for regional development, employment development, environment and energy transition.

Thanks to the country's membership in the EU, Bulgaria gets the opportunity to take advantage of the Union's policies for solidarity in dealing with the crisis.

One of the most important and priority moments in the foreign policy of Bulgaria in 2020 was related to the Bulgarian support for the beginning of the process for the accession of the **Republic of Northern Macedonia** to the EU. This support, however, was tied to reaching an agreement between the Bulgarian and Macedonian sides on a number of controversial historical issues.

Unfortunately, at the end of the year it became clear that the negotiations between the parties on the disputed issues had failed, which led to the disagreement of the Bulgarian government to give the green light for the start of the negotiation process between the Republic of Northern Macedonia and the EU. The conditions Bulgaria put for lifting the “veto” can be summarized in the following: First Bulgaria does not accept the mention of ‘Macedonian language’ in the negotiating framework but would accept the formulation “*the official language of the Republic of Northern Macedonia*”. Sofia considers the language of its neighbor a dialect of Bulgarian, although it admits the language of the neighboring country had been modified under the Serb influence in Yugoslavia after 1947. Second, Bulgaria wants a roadmap for the implementation of the Treaty of Friendship, Good-neighbourliness and Cooperation both countries signed in 2017, to be included in the negotiating framework with the EU. Last but not Least Bulgaria wants an explicit text in the roadmap saying that any

claims for a Macedonian minority in Bulgaria will not be supported in any form.

**In conclusion**, the field of international relations for Bulgaria 2020 was complex and challenging, as among other things the Bulgarian state had to deal with the consequences of the global pandemic. At the same time, however, we must note that the main directions and priorities of the Bulgarian foreign policy, as well as the traditional partnership relations of the country do not change and remain the same.

## **A summary of 2020 key foreign affairs events in Croatia**

**Valentino Petrović**

*Summary: The year 2020 was supposed to be a turning point for Croatia in foreign affairs portfolio for the reason of long-awaited presidency over the Council of the European Union. This process of Croatian “recognition” on European scale was interrupted by the COVID-19 pandemic, but after a six-months period the Government commented that much has been done considering the circumstances. Most of all, the Zagreb Declaration has been adopted during the virtual Zagreb Summit held in May where the EU leaders have met with Western Balkans partners. In addition, the 2020 was marked by the US Secretary of State Mike Pompeo’s visit to Croatia, as well as the recent political development in Bosnia and Herzegovina.*

### **Introduction**

The Croatian Government had major plans in foreign affairs portfolio at the beginning of 2020 mostly due to the fact that Croatia took the rotating presidency over the Council of the European Union on 1<sup>st</sup> January, an event that was often highlighted as one of the greatest successes in Croatian modern political history and diplomacy, even though the presidency is merely a historic sequence that awaits every member state of the European Union sooner or later. Since Croatia is the youngest member state and the government is ran by Andrej Plenković, a former member of European Parliament who seemed to be predestined to lead Croatia during the EU presidency period and who managed, in his own words, to transform the ruling Croatian Democratic Union (HDZ) in modern, pro-European, yet Christian democratic political party, the presidency was seen as an



opportunity for Croatia to shine in European foreign affairs and gain a widespread recognition among the “big players”.

However, the foreign media spotlight was stolen by COVID-19, while the Croatian domestic political agenda was mostly structured around the July parliamentary race and the relations between the Prime Minister and the newly-elected President. For this reason, it seems as the presidency over the Council of the European Union has never really happened. Nevertheless, during the parliamentary elections campaign, Andrej Plenković underlined several times everything that has been done during the six-months presidency, but the opposition would often undermine the Government’s influence within the European structures. With regards to Croatian 2020 foreign affairs highlights, one has to mention the October visit from US Secretary of State Mike Pompeo, as well as the relations of Croatia with other countries in the region.

### **The Presidency over the Council of the European Union**

In the program presented during the last October’s conference “A Strong Europe in a World of Challenges”, the Prime Minister mentioned four priorities to be accomplished during the Croatian presidency: a Europe that develops, a Europe that connects, a Europe that protects, and an influential Europe. Apart from these charming and well-written phrases, Croatian presidency coincided with the negotiations on 2021-2027 Multiannual Financial Framework which enabled Croatian ministers to preside over the various Council meetings in ten different configurations and to push for Croatian interests at European scale. But it appears that everyone was aware of the fact that the agreement on Multiannual Financial Framework will be reached during the German presidency which ended up to be true and Croatian focus was shifted towards the enlargement policy and the relations with the Western Balkans countries, especially regarding Albanian and North Macedonian accession. On 26<sup>th</sup> March, the member states have given their consent to formally open the negotiations with the above-mentioned countries and Croatian Minister of Foreign and European

Affairs, Gordan Grlić-Radman, was quick to declare it a Croatian accomplishment by saying: “Croatia has made all foreign policy efforts to convince all member states that it was necessary to open negotiations with these two countries (...) this is a great political success for Croatia”. Prime Minister joined him by describing this as a fulfillment of one promise given by Croatia at start of its presidency. He further acknowledged Croatian initiative to influence France, the Netherlands and Denmark to change their views when it comes to EU’s enlargement.

A highly-expected Zagreb Summit was held on 6<sup>th</sup> May as a follow-up event to this decision and it brought up leaders of EU member states and six Western Balkans countries – Albania, Bosnia and Herzegovina, Serbia, North Macedonia, Montenegro and Kosovo, respectively. The Summit was considered a central event of the Croatian presidency but had to be organized virtually due to COVID-19 circumstances. First and foremost, all actors included in the Summit expressed their reciprocal interests to further strengthen the integration process of the Western Balkans countries. Thus, the European Union gave its full support for the European perspective of the six countries, while the Western Balkans partners reiterated their commitment to European values “as their first strategic choice”. The member states also committed themselves to financially aid the six countries during the socio-economic crisis and post-pandemic recovery. To that end “the EU has mobilized a package over €3.3 billion, including €750 million of Macro-Financial Assistance and a €1.7 billion package of assistance from the European Investment Bank”. Prime Minister Plenković highlighted that Croatia has intensified the emergency action activities during the crisis period and held multiple conferences in each of the Council’s configurations.

## **A Brief View**

### **of Croatia-United States Energy and Military Relations**

Croatia’s relations with the European Union could be analyzed from the United States perspective, especially after the win of Joe Biden on the

November US presidential elections. Biden's victory over Donald Trump was warmly welcomed in Croatia, mostly due to his knowledge of the relations on the Western Balkans, but also for his understanding of nineties war-time. However, a month before the US elections, Secretary of State Mike Pompeo paid a visit to Croatia during his second tour around Central and Eastern European countries. As soon as the visit was announced, Croatian media started to speculate on what was the true nature of it: economic cooperation, energy security, visa waiver program or double tax convention. If we dismiss the bilateral dimension of Croatia-US relations for a minute, and focus on somewhat broader aspect of European Union-US relations, we could argue that Croatia has an important role in reaffirmation of ties between the EU and US through energy convergence. The energy security of EU member states has been and still is important for the US. The energy market of EU is still widely dominated by Russia, while the US is looking to counter it with rising export levels of LNG. A major energy project of Croatia is the LNG terminal on the Adriatic island of Krk that will connect Croatian transmission network with Slovenia, Italy and Hungary, as well as Serbia and Montenegro, and will have a capacity of 2.6 billion cubic meters of natural gas per year.

The project was in talks ever since 2016 when Croatian former Prime Minister Tihomir Orešković met with State Department's special envoy for international energy affairs Amos Hochstein. Hochstein acknowledged the importance of the Krk LNG terminal and said that it serves both Croatian and US interests. Joe Biden shared the same enthusiasm during his tenure as Vice President in Obama's administration and gave his support for project in 2014. Now, with Mike Pompeo's recent visit and Biden soon to take the Office, it appears that major preconditions for energy cooperation or better to say, the joint-interest project, between Croatia and the US have been fulfilled. Other than energy security, Croatia has interest in purchase of F-16 block 70 fighter jets from US. Of course, the US was not the only tenderer in the process. The offers have been submitted from Sweden, France and Israel as well, but Pompeo's visit has been characterized as "some kind of a pressure" by President Zoran Milanović who, after all, said

that American jets should be Croatia's first choice due to a long-lasting military cooperation between the two countries. The process, however, does not possess a virtue of transparency, as Croatian public, media and military experts have not been informed almost about anything, except the above-listed tenderers.

### **Conclusion**

Finally, the inevitable matter in Croatian foreign policy is the situation in Bosnia and Herzegovina. Both Plenković and Milanović have expressed concerns about the position of Croats in that country and underlined the need to ensure equal rights for all three constituent peoples. To meet that end, Prime Minister and the President have welcomed Milorad Dodik, the current Serb member of the Presidency of Bosnia and Herzegovina, in a meeting that took place in Zagreb and provoked many critics including those from Šefik Džaferović and Željko Komšić. A day earlier, Dodik called for a unification of Republika Srpska and Republic of Serbia, but the two heads of Croatian executive commented that Dodik came to Zagreb as a representative of the Serb people, not as a member of the Presidency. Bottom line, the year 2020, shadowed worldwide by the COVID-19 related circumstances, affected the notability of Croatian foreign relations. Regardless, the outlined events and milestones, preserved Croatia's position as a growing actor in both the sphere of EU developments and regional occurrences.

## **Czech foreign policy as a battlefield between atlanticists and sovereigntists**

**Ladislav Zemánek**

*Summary: The Czech Republic's external relations and foreign policy were affected by the coronavirus epidemic significantly in 2020. There was a planned agenda with concrete priorities formulated by the Ministry of Foreign Affairs, including numerous meetings and summits with due parties. However, the outbreak of the disease forced both domestic and external actors to change their actions, leading to an alteration of priorities and intents. In this briefing, I focus on chosen issues with respect to a domestic struggle between adherents of the Euro-Atlantic domination and the "others".*

Starting the analysis of external interactions and policy, we should present a summary of the priorities put forward by the MFA at the beginning of this year, based on the long-term official Concept of the Czech Republic's Foreign Policy, in order to compare it with the factual development face to face with the unexpected crisis.<sup>120</sup> The priorities were divided into six parts: security, prosperity and sustainable development, human rights, service to the citizens, our country's image-building abroad, and territorial priorities. I will focus only on chosen areas which are of the utter relevance, first and foremost security issues and relations with external actors.

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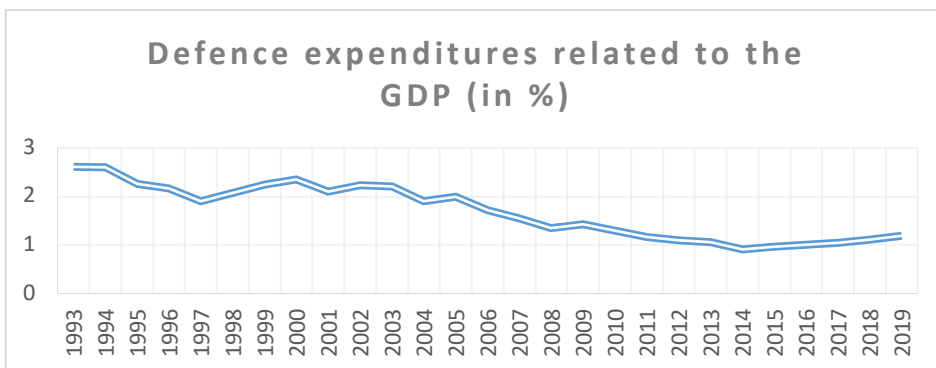
<sup>120</sup> See the full text of the current Concept at [https://www.mzv.cz/file/1574645/Concept\\_of\\_the\\_Czech\\_Republic\\_s\\_Foreign\\_Policy.pdf](https://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf).

## **Involvement in the NATO and military missions**

As far as the security is concerned, the MFA's priority list mentioned *deepening ties with the NATO, strengthening resilience against the so-called hybrid threats or improving cybersecurity*. Even though other questions regarding the national security were not stated, one may add, for instance, *the introduction of the foreign investment screening mechanism* and, generally, increasing interest of the state authorities in external subjects' activities on the Czech territory. The Government as well as the President gradually expressed their adherence to the US-led NATO. Similarly, the political parties represented in the Chamber of Deputies were consensual about this position with the exception of the Communist Party and the populist Freedom and Direct Democracy movement. The engagement in the NATO remained to be considered one of the key pillar of the pro-Western orientation of the Czech Republic, even in a higher degree compared to the EU membership, which was more controversial than the NATO one. In spite of the strong support of the NATO, the political leadership was not able to fulfil one of the main obligations following from the membership, namely the expenditures of 2 per cent to the GDP on security and defence. Within the Visegrád Group, our country was the last, and in comparison with all NATO member states, the Czech Republic spends the fifth-lowest amount of financial means, although the defence budget has been expanding gradually. In 2019, the expenditures mentioned were of approximately 1.2 per cent to the GDP, the 2020 figure is not available yet (1.3 per cent being expected).

However, the obligation will probably be met not earlier than 2025. Moreover, the incumbent ruling coalition, comprising the leading ANO movement and social democrats, is dependent on the support from the Communist Party which criticise our engagement in the NATO as well as the rising expenditures on defence. Given its influence, possibilities of the pro-NATO members of the Government were curbed. Interestingly, the cabinet had to decrease the budget of the Ministry of Defence by 10 billion CZK (almost 385 million EUR) as demanded by the communists in the end of the year, which was a condition for the Communist Party's support of

the 2021 state budget, without which the Government would be obliged to exercise its power through a provisional budget. It would damage their position before the autumn parliamentary election inevitably.



*Source: Ministry of Defence*

Furthermore, the Parliament approved a mandate of the Czech Army for the years 2021 and 2022 in foreign operations. This year, a previous mandate ended up, no changes regarding the external missions being made. The priorities of the Army also remained unchanged, i.e. fighting terrorism and illegal migration. By 2020, the Czech troops took part in 11 missions: (1) Afghanistan; (2) Latvia and Lithuania within the framework of the NATO Enhanced Forward Presence; (3) Baltic Air Policing, supervising the territory and territorial waters of Estonia, Latvia and Lithuania; (4) Kosovo (KFOR), where the Czech presence has lasted from 1999; (5) Bosnia and Herzegovina within the EUFOR – ALTHEA mission; (6) Somalia as a part of the European Union’s first naval operation ATALANTA; (7) the Mediterranean within the Sophia Operation addressing the problem of the illegal migration from Africa; (8) Mali; (9) Iraq; (10) Sinai as a part of the Multinational Force & Observers mission supervising fulfilment of the obligations of the 1979 Treaty of Peace between Egypt and Israel; (11) Israel – the United Nations Disengagement Observer Force, focusing on the Israeli-Syrian relations.<sup>121</sup> In addition,

<sup>121</sup> For greater detail see the website of the <https://www.army.cz/scripts/detail.php?pgid=450>.

nine Czech military observers were deployed in Democratic Republic of the Congo, Kosovo, Central African Republic and Mali on the ground of requirements from the UN, OSCE or EU. In 2020, the Czech Army could have dispatched up to 1096 soldiers abroad but the total number was lower. In the following years, the quotas for individual missions will decrease, the same applying to the outlays on the foreign operations.

Nevertheless, this year has also brought a premiere. The Czech Republic led an international military mission for the first time in its history. For the six months of the second half of 2020, the Czech side headed the operation in Mali, compounding of more than seven hundred soldiers from roughly 20 countries. The main goal of this EU-initiated operation is to assist the Malians with the army building and training in order to resist rebellious Islamist troops and maintain the territorial integrity of the country. Besides, the Czech command was to expand consultancy and training services to other countries of the region, primarily Niger and Burkina Faso.

### **Protecting national security and the risk of political misuse**

Regarding the hybrid threats problematics, the Czech leadership has not been still able to elaborate a comprehensive and joint strategy of the fight against the alleged hybrid threats, even though the Ministry of Defence was assigned to carry out this task already in 2016. It seems that it will be finished in 2021. This phenomenon became fashionable in the last years being also related to disinformation campaigns. Therefore, the Centre Against Terrorism and Hybrid Threats was established within the Ministry of the Interior in 2017, a new position of the Special Representative for Resilience and New Threats was set up in the Ministry of Foreign Affairs in 2019 and the Permanent Commission for Hybrid Threats was created in the Chamber of Deputies in 2020 aimed at an investigation into influence and impacts of cyber-attacks as well as disinformation campaigns originated abroad. The coronavirus crisis did not change this considerable



tendency of securitisation and addressing security issues.<sup>122</sup> Although the imperative of defence of the national interests and national security is indisputable, it can serve as a pretext for waging a political war against external partners which were labelled as a potential or real risk, especially China and Russia. The abovementioned bodies are prone to a reproduction of the US and NATO interests and agenda, which has been increasingly confrontational and hostile towards both sovereign and independent powers. The actions of the bodies prove this negative effect. Moreover, personal ties also indicate the interconnections as demonstrated, among others, by Jiří Šedivý who served as Permanent Representative of the Czech Republic to NATO from 2012 to 2019, subsequently being appointed Special Representative for Resilience and New Threats at the MFA in 2019 and Chief Executive of the European Defence Agency in 2020.

Permeation of Washington's interests and narratives in the Czech politics could have been intensified by the visit of the US Secretary of State Mike Pompeo to our country in August, the purpose of which was to induce the political representation to exclude Russian and Chinese companies from the strategic tender of the enlargement of one of the Czech nuclear power plants and also from their participation on the 5G network-building. The Government refused the US pressure but the internal struggle over the nuclear energy and 5G will continue as there are influential Atlanticist forces among political parties, state administration, media, universities and NGOs which have made efforts to undermine interactions and cooperation with Chinese and Russian partners, provoking campaigns against them. In 2020, grave deterioration in bilateral Czech-Russian relations occurred. Similarly, the Czech-Chinese partnership was jeopardised as a result of hostile actions of some political representatives including the Senate Chairman who supported Taiwanese separatists.<sup>123</sup> There is also a risk that

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<sup>122</sup> I analysed the ongoing securitisation and the case of the Permanent Commission in a July briefing: <https://china-cee.eu/2020/07/10/czech-republic-political-briefing-ongoing-securitisation-hybrid-threats-at-the-top-of-political-agenda/>.

<sup>123</sup> I inquired into these anti-Chinese and anti-Russian provocations in individual analyses. See <https://china-cee.eu/2020/06/08/czech-republic-external-relations->

these elements might misuse the prepared legislation introducing a foreign investment screening mechanism to discriminate non-EU subjects, first and foremost the Chinese and Russian ones.<sup>124</sup> Given the escalating rivalry between powers favouring either US-led unilateralism or multilateralism in connection with the transformation of the global order and a shift of global centres of power, the Czech Republic has become one of the fields of this struggle.<sup>125</sup> In 2020, we witnessed a sharpening power struggle between progressivist pro-Western liberals and „the others“ who advance more balanced and more independent policies. Notwithstanding this clash, there are examples of the Czech-Chinese cooperation (for example, attendance at the CIIE in Shanghai or common cooperation over the coronavirus epidemics) as well as a wide array of domestic actors who are well aware that the strategic partnership should be deepened in the future to mutual benefit.

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[briefing-czech-russian-espionage-affair-a-case-study/](https://china-cee.eu/2020/11/16/czech-republic-external-relations-briefing-the-senate-chairmans-taiwan-adventure-a-negligible-episode/) and <https://china-cee.eu/2020/11/16/czech-republic-external-relations-briefing-the-senate-chairmans-taiwan-adventure-a-negligible-episode/>.

<sup>124</sup> For greater detail see <https://china-cee.eu/2020/05/15/czech-republic-political-briefing-introducing-a-new-foreign-investment-screening-pro-et-contra/>.

<sup>125</sup> In another study, I call the alternative concept of the international order asserted by China, Russia and other non-Western actors as the *New Eurasian Paradigm*. Zemánek, L., *The Rise of Eurasia: Shaping the New Eurasian Paradigm*, *Cultural World*, 2019, vol. 7, pp. 10-19 (available at <http://kultura-mira.ru/images/Journals/cw-18.pdf>).

# **Estonian external relations in 2020: The UN Security Council, the dilemma for Estonia, and the evolving international disorder**

**E-MAP Foundation MTÜ**

Remarkably, during the pandemic-raged 2020, the United Nations (UN) was one of the least ‘visible’ international organisations in Estonian media, when it would come to the context of global fight against the COVID-19. Certainly, one may argue that, during the pandemic, the role of the UN is ‘substituted’ by one of its agencies, the World Health Organization (WHO), which is assigned to be specialised on different issues related to international public health. At the same time, since the WHO-associated positive publicity deserves plenty of improvements for a number of obvious reasons, the UN’s image is suffering because of that as well. It was the year, however, when Estonia started its high-level international ‘journey’ having become a non-permanent member of the UN Security Council (UNSC) for a two-year term and for the first time in the country’s history. Back in June 2019, Estonia was awarded this position, having won the vote of the UN General Assembly, and, on 1 January 2020, the country’s President Kersti Kaljulaid decided to hoist the UN flag in front of her Office in recognition of Estonia’s new status in the international stage. On the day, the President noted:

Estonia will be at the world’s hardest diplomatic negotiating table for the next two years. [...] We are an equal country in a complex and fragile international family. But it comes with an obligation and responsibility to understand and to speak up on difficult issues that at first sight do not seem to concern us directly. We will help stand for a value-

based and international law-based world order, without which we and many other countries and nations would have no place in the world.<sup>126</sup>

Contextualising a broader discussion with Estonia's participation in the UNSC's every-day work, *International Centre for Defence and Security* (ICDS), which is perhaps the most reputable think-tank in the country, published a notable material in April 2020, arguing that "European cooperation in the UNSC has increased, [...] [and] Estonia has taken an active role in shaping the joint positions of EU states in the UNSC, for example on issues related to the Middle East Peace Process (MEPP), Ukraine and Syria"<sup>127</sup>. At the same time, as the argument goes further, "[t]he international environment, meanwhile, is becoming increasingly challenging for multilateral cooperation and a rules-based global order", while "[t]he COVID-19 pandemic has underscored the lack of global leadership, previously provided by the US, and inability of the UNSC to mobilise international cooperation"<sup>128</sup>. Therefore, such a volatile situation, in both conceptual and policy-making terms, places Estonia (and the whole EU as well) in front of a challenging dilemma – "how to work **to maintain the rules-based order while simultaneously adapting to its erosion and change**"<sup>129</sup>. This particular factor can frame the following brief on Estonia's external relations in 2020.

It appears to be that 'the rules-based order' starts for Estonia in the region of the Baltic states. Without establishing a proper as well as solid level of trust-bound communication with Latvia and Lithuania, it would be hard to imagine Estonian foreign policy. Therefore, it was not a surprise to

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<sup>126</sup> Kersti Kaljulaid as cited in 'Estonia starts term as member of UN Security Council', *ERR*, 1 January 2020. Available from [<https://news.err.ee/1019301/estonia-starts-term-as-member-of-un-security-council>].

<sup>127</sup> Kristi Raik, 'Estonia in the UN Security Council: The Importance and Limits of European Cooperation' in *ICDS*, April 2020. Available from [<https://icds.ee/en/estonia-in-the-un-security-council-the-importance-and-limits-of-european-cooperation/>].

<sup>128</sup> Raik.

<sup>129</sup> Raik. Emphasis is ours.

learn that in May 2020, the Baltic trio decided to open their internal borders and allowed free movement for their citizens and residents, in order to establish the so-called ‘Baltic bubble’<sup>130</sup>. This framework had to be adjusted for a few times as the process went on, but when international cooperation in the peak of the crisis was resembling a total disarray, the Baltics managed to exhibit a credible ability to quickly establish a common ground. In addition, on the UNSC platform, the EU-bound coordination was also picking up its pace – as noted, “six joint stakeouts issued in February concerning Myanmar, the MEPP, Libya, Ukraine and (twice) Syria”, and Estonia was very active in “taking the initiative to make a joint stakeout, on Ukraine and Idlib/Syria”<sup>131</sup>. On Ukraine, for example, a stakeout by Estonia, Belgium, France, Germany and Poland, posted on 18 February 2020, supported “the independence, sovereignty and territorial integrity of Ukraine within its internationally recognized borders”, while demanding that “Russia must in particular end its financial and military support to the self-proclaimed People’s Republic of Donetsk and Luhansk”<sup>132</sup>. In a significant addition, the document stated that “[b]y the use of force against the territorial integrity and sovereignty of Ukraine, Russia is clearly violating the fundamental principles of international law”<sup>133</sup>.

In general, losing no time in the process of getting accustomed to its high-profile role in the UNSC, Estonia ended up being in the epicentre of crisis diplomacy for the first time. Portraying itself as what it is in reality – a small but highly innovative country – Estonia managed to bring the politically sensitive theme of cybersecurity to the discussion table at the

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<sup>130</sup> ‘‘Baltic Bubble’’: Rules for traveling from Estonia to Latvia and Lithuania’ in *ERR*, 15 May 2020. Available from [<https://news.err.ee/1090243/baltic-bubble-rules-for-traveling-from-estonia-to-latvia-and-lithuania>].

<sup>131</sup> Raik, p.6. Available from [[https://icds.ee/wp-content/uploads/2020/04/ICDS-EFPI-Analysis\\_Estonia-in-the-UNSC\\_Kristi-Raik\\_April-2020\\_cor.pdf](https://icds.ee/wp-content/uploads/2020/04/ICDS-EFPI-Analysis_Estonia-in-the-UNSC_Kristi-Raik_April-2020_cor.pdf)].

<sup>132</sup> ‘Stakeout on Ukraine by Estonia, Belgium, France, Germany and Poland’ in *Permanent Mission of Estonia to the UN*, 18 February 2020. Available from [<https://un.mfa.ee/stakeout-on-ukraine-by-estonia-belgium-france-germany-and-poland/>].

<sup>133</sup> ‘Stakeout on Ukraine by Estonia, Belgium, France, Germany and Poland’.

UNSC. Considering the whole year, the Estonian delegation **1)** convened 7 informal UNSC meetings; **2)** attended 425 meetings in total; **3)** took part in the process of adopting 58 resolutions and negotiating 45 press statements; **4)** together with like-minded countries, composed and made 31 joint press statements<sup>134</sup>. On a more concrete note, in March 2020, Estonia, the USA and the UK “officially raised the cyberattacks against Georgia in October 2019”, and “[i]t was the first time specific cyberattacks were officially discussed at the [UN] Security Council”<sup>135</sup>. Furthermore, during an informal meeting held on 22 May, the UNSC discussed the issue of stability of cyberspace as a separate subject, for the first time in the body’s history, underlining that cyberspace is “not different from other domains where international law is applied”<sup>136</sup>.

As for the process of adapting to the rule-based international order’s erosion and change, the Estonian delegation at the UN had plenty of opportunities to experience it first-hand – different powers have different visions on how to see and operationalise the actuality, and that is why an Estonia-drafted statement that was calling for “greater international cooperation in tackling the pandemic, which ‘may constitute a threat to international peace and security’”<sup>137</sup> was blocked. Back at home in Europe, in the second half of the year, the country’s Foreign Ministry spent plenty of time on discussing the situation in the Eastern Mediterranean and the heightened tensions in Nagorno-Karabakh. For example, in September, Foreign Minister Urmas Reinsalu (*Pro Patria*) approached his Cypriote and Turkish colleagues, correspondingly Nikos Christodoulides and Mevlüt Çavuşoğlu, over the phone – the major theme of the discussions was associated with “Turkey’s drilling activities”<sup>138</sup>. Both countries are

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<sup>134</sup> ‘Estonia in the Security Council: the first year’ in *Permanent Mission of Estonia to the UN*. Available from [<https://un.mfa.ee/estonia-in-the-security-council-the-first-year/>].

<sup>135</sup> ‘Estonia in the Security Council: the first year’.

<sup>136</sup> ‘Estonia in the Security Council: the first year’.

<sup>137</sup> Raik, pp.8-9.

<sup>138</sup> ‘Foreign Minister Reinsalu discussed the situation in the Eastern Mediterranean and Nagorno-Karabakh with the foreign ministers of Cyprus and Turkey’ in *Välisministeerium*, 30 September 2020. Available from

Estonia's partners in different geo-strategic frameworks, and the destabilisation in the Eastern Mediterranean is never in any positive plans for the future. Since Turkey also became a major strategic stakeholder in the process of solving the Nagorno-Karabakh crisis, it was important for Estonia to deliver a particular message to the Turkish side that there was an urgent "need for Armenia and Azerbaijan to return to the negotiating table to resolve the issue"<sup>139</sup>.

Reflecting on yet another destabilising factor of international significance, in October, Prime Minister Jüri Ratas (*Centre*) participated in the European Council's extraordinary meeting, during which the leader of the EU's Member States and key bodies approved sanctions against some 40 Belarusian officials who were/are "deemed responsible for election fraud and the violent suppression of peaceful protests after president [Alyaksandr Lukashenka] was re-elected for his sixth term in elections largely deemed rigged and undemocratic"<sup>140</sup>. Belarus, the European continent's largest inland country as well as one of the UN's inaugural members, is currently experiencing the biggest political turmoil in its modern history. Lukashenka's activity on usurpation of his political power led to country-wide peaceful protests, which were brutally suppressed by the regime. In November, Minister Reinsalu noted that the [then] recent death of Raman Bandarenka, a 31-year-old artist and resident of Minsk, "highlighted how, over three months after Lukashenka was returned to office in elections widely condemned as rigged, little had changed"<sup>141</sup>. The Estonian Foreign Minister stated that the objective fact that Bandarenka

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[<https://vm.ee/en/news/foreign-minister-reinsalu-discussed-situation-eastern-mediterranean-and-nagorno-karabakh>].

<sup>139</sup> Urmas Reinsalu as cited in 'Foreign Minister Reinsalu discussed the situation in the Eastern Mediterranean and Nagorno-Karabakh with the foreign ministers of Cyprus and Turkey'.

<sup>140</sup> 'EU leaders approve sanctions against Belarus' in *ERR*, 2 October 2020. Available from [<https://news.err.ee/1142329/eu-leaders-approve-sanctions-against-belarus>].

<sup>141</sup> 'Foreign minister calls for additional EU sanctions on Belarus' in *ERR*, 19 November 2020. Available from [<https://news.err.ee/1160769/foreign-minister-calls-for-additional-eu-sanctions-on-belarus>].

“lost his life [...] due to the brutal actions of Belarusian security forces [...] demands a response”, therefore “[t]hose responsible for this tragedy must be held to account and we call on EU states to impose additional sanctions on Belarusian officials”<sup>142</sup>.

Finally, for the challenging year, the Brexit was eventually wrapped up, and the UK left the EU. With an avalanche of statements made on the issue in Estonia, a particular one deserves to be singled out. Siim Kallas, the country’s former Prime Minister as well as the European Commission’s former Vice-President, was extensively outspoken on the fact of the Brexit:

I have mixed feelings when it comes to the Brits. On the one hand, they were persistent proponents of market economy – entrepreneurial freedom, free trade... They were always on hand in those matters. But dealing with them in pretty much everything else was such a pain... [...] The thing about Brits is that the Brexit campaign was built on lies, facts that were used proved untrue after a while... However, from a purely political leadership standpoint – I say that if you’ve decided to leave, then leave. [...] And Britain is now a so-called third country – you want access to our market like Norway, you need to accept the rules. [The EU’s chief negotiator] Michel Barnier has said as much. That it needs to be understood that the Brits are leaving and not the EU and that if they want to continue working together, here are the conditions.<sup>143</sup>

Arguable, the EU, together with Estonia, has moved on and away from 2020. Possibly, the difficult year made it a stronger entity. If it is the case, a more powerful EU with a more common foreign and security policy will appear on the international stage in 2021. For a pro-EU Estonia it represents the good news.

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<sup>142</sup> ‘Foreign minister calls for additional EU sanctions on Belarus’.

<sup>143</sup> Siim Kallas as cited in Toomas Sildam, ‘Siim Kallas: The EU will not allow itself to be taken hostage’, *ERR*, 14 December 2020. Available from [<https://news.err.ee/1207417/siim-kallas-the-eu-will-not-allow-itself-to-be-taken-hostage>].





## Greek foreign policy in 2020

George N. Tzogopoulos

*Summary: For Greek foreign policy, 2020 was a difficult year. The Turkish-Libyan memorandum of understanding on maritime zones, which had been inked in November 2019, sparked diplomatic initiatives to protect the national interest. These include the agreements with Italy and Egypt to delimit maritime zones. Following the model of the Prespes Agreement, the Greek government preferred to reach some compromises with the country's neighbors – instead of postponing decisions. Of course, Greek-Turkish tensions became the most important issue of concern especially in the second-half of the year. The decision of the Turkish government to send 'Oruc Reis' vessel for research in undelimited waters of the Eastern Mediterranean brought the two countries to the brink of a military accident and eliminated hopes for a restart of exploratory talks.*

In recent years Greek foreign policy has acquired an active nature. The Prespes Agreement, for example, that was signed between Greece and North Macedonia in 2019 and solved the long-lasting name dispute was an indication of the new mentality and thinking. In this manner, Greece is being internationally considered a country that is interested in solving problems instead of postponing or undermining their potential solution. The Prespes Agreement, for example, was welcomed by both the US and the EU because it paved the way for North Macedonia to enter NATO and possibly the EU. The then Greek government of SYRIZA paid a heavy political price, however. The New Democracy opposition party had opposed the Agreement and used the foreign policy compromise of SYRIZA as a good opportunity to fuel reactions and demonstrations in Greece and politically damage its main opponent.

New Democracy, which came to power in July 2019, sought to employ an agenda that would significantly rely on the economy. The implementation of the Prespes Agreement was rather convenient from the moment Prime Mitsotakis had not initiated the diplomatic process himself and had never implied that his government would not respect the deal. By contrast, his disagreement with this deal – while in the opposition – was accompanied with public assurances that he could not attempt to reverse it. After winning the July 2019 election, Mitsotakis also framed Greek-Turkish relations from the perspective of economic cooperation. But the exertion of a muscular foreign policy by Ankara in the Eastern Mediterranean made the Greek Premier more skeptical. In November 2019, Turkey and the Libyan Government of National Accord signed a memorandum of understanding on the delimitation of their maritime zones. As a result the new Greek government had no other choice but engage itself in active foreign policy in order to protect the national interest of the country.

The new mentality and thinking in foreign policy became evident throughout 2020. Although it was rather Turkey's policy that led the New Democracy governing party to concentrate on foreign policy than its own interest, its activation yielded some results. There are three main examples. In June 2020, Greece and Italy updated their 1977 agreement on the continental shelf to cover maritime zones. In August 2020, Greece and Egypt inked a partial delimitation deal on maritime zones. And in October 2020, Greece and Albania decided to refer their maritime dispute to the International Court of Justice. Athens draws on these three examples to showcase its determination to solve maritime differences with its neighbors on the grounds of the UN Convention on the Law of the Sea.

The Eastern Mediterranean equation is very difficult, however. Greek-Turkish relations are a significant part of it. The relationship between Athens and Ankara was particularly strained during 2020. Greece's reaction to the Turkish-Libyan agreement sparked a diplomatic sprint that led to significant initiatives. But Greece and Turkey did not manage to resume dialogue that was interrupted in 2016. Despite the

mediation of Germany in July 2020, the decision of Turkey to send its 'Oruc Reis' vessel for research in the Eastern Mediterranean caused a serious crisis that could have led to a military accident. For a period of some weeks in August and September, naval forces of the two countries were deployed close to each other. NATO, which saw two of its member-states on the brink of military confrontation, initiated technical talks to prevent such a scenario. Its Secretary General Jens Stoltenberg has attempted to play a role in reducing tensions.

In parallel with sending military ships to the Eastern Mediterranean, Greece reacted to the Turkish provocation by raising the issue at the EU level. The EU condemned the practices of Ankara but refrained from imposing sanctions as Greece was hoping for. In the European view, exploratory talks between Greece and Turkey needed to restart as a means to delimit maritime zones. The Turkish government withdrew Oruc Reis for some weeks in September and October and generated hopes for the resumption of dialogue. But hopes did not last long. Oruc Reis returned to the Eastern Mediterranean after mid-October and conducted research until December. During this new phase, Greek-Turkish tensions did not reach the level of the August-September period but prevented the relaunch of exploratory talks.

The American posture during the Greek-Turkish crisis was rather balanced. Although Washington criticized Turkish 'bullying' in the Eastern Mediterranean, it called upon both countries to resume dialogue. Secretary of State Mike Pompeo visited Athens, Thessaloniki and the island of Crete in October and further promoted Greek-American military cooperation. Washington's main motivation has been the potential restraint of Russia's and China's influence, whereas Greece has mainly envisaged to benefit by the excellent status of Greek-American relations as a potential deterrence factor of the Turkish provocation in the Eastern Mediterranean. The sanctions that the American administration imposed against Turkey for the acquisition of S-400 missiles by Russia were welcomed by Athens but the main reason for this American decision is not related to the Turkish behavior in the Eastern Mediterranean. Turkish-American disagreements

are not necessarily related to developments in the Basin and are synthesized around the foreign policy orientation of Ankara and NATO's skepticism about its good relations with Moscow.

Following the second withdrawal of Oruc Reis in December 2020, new hopes for a restart of exploratory talks were created. The December EU Council encouraged (again) the two countries to resume discussions. It also authorized High Representative Josep Borrell to explore the possibility of a multilateral dialogue for the Eastern Mediterranean under the EU aegis. The main message that Greece received from Brussels is that the latter preferred the policy option of cooperation with Ankara. For the EU Turkey is a significant partner that can solve its maritime disputes with Greece via dialogue. This approach contradicts the content of the political and media discourse in Greece where expectations for a different European policy vis-à-vis Turkey were raised. A notable exception of an EU member-state that has pushed for a more tough line towards Ankara has been France. The French interest, among other things, has been shaped by its appetite to sell military equipment to Greece. In September 2020 Mitsotakis announced the purchase of 18 Rafale fighters indeed.

Developments in the Eastern Mediterranean almost exclusively attracted the attention of the Greek government in 2020. The interest in this theme was, for example, demonstrated during the visit of State Councilor Yang Jiechi in Athens in September. A significant part of Mitsotakis' public welcoming remarks on the occasion of his meeting with Yang Jiechi was devoted to Greek-Turkish relations. The same also happened during the visit of Russian Foreign Minister Sergey Lavrov in the Greek capital in October. On the same wavelength, Greece cultivated closer ties with Israel and the United Arab Emirates in an effort to strengthen regional schemes of cooperation in a turbulent neighborhood. Both these countries along with France and Egypt have been vocal in condemning Turkish practices in the Eastern Mediterranean.

## **Conclusion**

In 2020, Greece endeavored to respond to Turkish actions in the Eastern Mediterranean by signing maritime agreements with neighboring countries, boosting regional schemes of cooperation, enhancing ties with the US, raising the issue at the EU level and improving its military deterrence. Greece has somehow managed to protect its sovereign rights but has not prevented the research expedition of the Turkish vessel 'Orus Reis' in undelimited waters of the Eastern Mediterranean. Significant as they are, Greek initiatives, which were carried out in 2020, have not solved the real problem that is the engagement in dialogue with Turkey on the delimitation of maritime zones. This difficult task is expected to take place in 2021. Both the EU and the US are encouraging the two sides to start their exploratory talks believing that Athens and Ankara need to peacefully solve their maritime disputes. The Greek-Turkish crisis of the second half of 2020 was the longest in duration and the most complicated one after the military invasion of Cyprus in 1974.

# Hungarian foreign policy in 2020

Csaba Moldicz

*Summary: As we predicted in our January Outlook for 2020, three issues arose to the top of the Hungarian government's agenda: (1) the negotiations on the European Union's multi-annual financial framework (2021-2027), (2) the Eastern Opening Policy and (3) how to secure the energy supply of the Hungarian economy. Obviously, the outbreak of the Covid 19 pandemic brought profound changes to the economy, which led to new foreign policy responses. The economic crisis had three channels: the disruption of global supply chains, lockdowns severely hitting services and the total collapse of international trade. All of these elements brought about the need for immediate action at the foreign policy level, which we will not analyze in this briefing, but which does provide the backdrop for this analysis. This briefing discusses the priorities of Hungarian foreign policy in 2020, and the changes that have recently shaped the external environment (new US administration, Covid-19 inflicted economic and political crisis), which are profoundly altering the room for maneuver for the Hungarian foreign policy.*

## **1. The negotiations of the multiannual financial framework of the European Union (2021-2027)**

The most important foreign policy event of the year was the negotiations on the EU budget. After months of negotiations, European leaders finally managed to agree on the financial framework of the European Union on 22 July 2020. The package includes €1,074 billion for the seven-year framework between 2021 and 2027 and €750 billion for the EU Recovery Plan. The Recovery Plan consists of 312.5 billion euros in grants and 360 billion euros in loans. At the same time, different

interpretations of the deal emerged shortly after the negotiations were concluded, so the final compromise could not be reached until the beginning of December.

During this process, not only was it important for the Hungarian government to secure the funds, but since the EU budget and stimulus money were made conditional on the member states' adherence to the rule of law, Hungary was forced to protect its foreign policy principle (sovereignty) during the negotiations. The Hungarian concept of ideal European cooperation is based on the idea of concerted action by nations in the interests of their nations, rather than cooperation within a supranational (above the nations) organization in which member states surrender their sovereignty at an accelerating pace.

According to the Hungarian government, the newly agreed deal in December made it impossible to use the EU budget to force Hungary to make decisions that are not in the nation's interest. Before the summit in December 2020, Hungary and Poland threatened to veto the plans to make EU funding conditional on EU members respecting the rule of law. Under the compromise, disbursement of EU funds from the budget and the stimulus package (Recovery Plan) will still be tied to a mechanism based on respect for the rule of law, but sanctions can only be imposed once the European Court of Justice has ruled on the legality of the mechanism. The Hungarian position on the issues can be explained thus:

1. The connection between money and the rule of law could force countries to alter the course of their foreign policy, the Hungarian Prime Minister stressed: "In Brussels today, they only view countries which let migrants in as those governed by the rule of law. Those who protect their borders cannot qualify as countries where rule of law prevails."
2. Since the term rule of law was not specified, the arbitrary rule of law condition would have exposed the country's politics to foreign interference.



## **2. The results of Eastern Opening Policy**

In recent years, Hungarian foreign policy has consistently sought to diversify the country's relations in both trade and investments, but against the backdrop of growing tensions between China and the United States and the outbreak of the global pandemic, it has become more difficult this year to strike a successful balance between Hungary's long-term strategic interests and its current commitments. At the same time, the Eastern Opening Policy showed significant results. Last year, Korea invested the most in Hungary in the form of foreign direct investment (surpassing Germany), and this year China was the largest investor by value – more than USD 5 billion, employing 16 thousand people, while Germany and the United States carried out the most transactions during the year. Trade relations between China and Hungary developed intensively during the year, while Hungary's total exports stagnated (+0.4 percent), exports to China boomed and the growth amounted to 29.2 percent in the period of January-October compared to the corresponding period of the previous year.

Another result – practical but crucial – of the Eastern Opening Policy has been the growing and successful cooperation with China in the fight against the coronavirus. When the necessary medical supplies to fight against coronavirus were concerned, Hungary focused on its core interests and found solutions by drawing on its broad network of relations and choosing the most logical responses. In this case, Hungary purchased significant amounts of medical supplies from China, but also accepted aid when medical needs seemed most urgent. Since the first wave of coronavirus, Hungarian foreign policy has sought a wide range of vaccines. Although there is no definitive agreement and license for Chinese vaccines in Hungary, it would not come as a surprise if cooperation entered a new phase. In the case of vaccines, it is easy to show that the Eastern Opening Policy is about diversification and not about "leaving Europe", as critics might say. Hungary has also cooperated with the EU in vaccine procurements and bought vaccines from different suppliers, regardless of origin.

By diversifying trade and investment relations, Hungary's foreign policy strengthened multilateralism in global politics and its commitment to free trade in other areas as well. Hungary has held negotiations with Kyrgyzstan, Bangladesh, and Laos this year.

### **3. Securing energy supplies**

Hungary strengthened its participation in the Three Seas Initiative when it joined the Three Seas Initiative Fund in June 2020 with a financial commitment of 20 million euros and proposed that the Three Seas Initiative establish its permanent secretariat in Budapest.

From the Hungarian point of view, the participation in the 17+1 cooperation and the Three Seas Initiative seems to be a rational political choice, as it meets the economic development needs of the respective country. In this case, both initiatives focus on infrastructure development within their cooperation. Removing the infrastructural bottlenecks in trade and energy supply could create new businesses and jobs in the region. The Three Seas Initiative is more geographically limited than the 17+1 cooperation and the scope of cooperation is also narrower, while the 17+1 cooperation involves broader levels of cooperation. Weaknesses as well as strengths can be found in both approaches, but if the plans are achieved and the infrastructure is built, it does not matter how we interpret the geopolitical intentions of the actors, because the countries in the region, and both China and the United States can benefit from more trade and more globalization.

### **4. Summary**

Although the decisions and goals of Hungary's foreign policy are consistent, the external environment of foreign policy has changed fundamentally in 2020 due to growing tensions in the world politics and global economy. As we understand it, the Biden administration will return to a more conventional foreign policy, in which the adherence to American

values will play a more decisive role than between 2016 and 2020. Biden summarized the foreign policy challenges in an article of Foreign Affairs this way: *"Meanwhile, the global challenges facing the United States—from climate change and mass migration to technological disruption and infectious diseases—have grown more complex and more urgent, while the rapid advance of authoritarianism, nationalism, and illiberalism has undermined our ability to collectively meet them."* The new American foreign policy will likely strengthen transatlantic forces in both Germany and France. The main question of the upcoming year is whether Germany's pragmatic foreign policy can withstand the pressure from the American side to revise its previous China policy, which has had a strong emphasis on trade and investment. On the other hand, Germany has been able to reduce its trade deficit with China while significantly expanding its trade volume in recent years, which could support the China-friendly thread of German foreign policy. In the event of a W-shaped economic crisis in Europe and the United States and a rapid economic recovery in China, the question remains whether China can use this opportunity to further open its economy and reduce foreign policy tensions in the world next year.

Since it is very likely that Hungary's debates with the European Union will not simply subside by 2021, the pressure will increase on Hungary's foreign policy in the case of China too. Generally, we can claim that the gains from the American and German cooperation with Hungary cannot be compensated by China, however the volume of Chinese direct investment this year tells us that this situation could change. Unless these trends turn out to be persistent, the country might yield to the pressure in the case that Hungary's interests dictate it.

# **Summary of Latvian foreign policy in 2020**

**Nina Linde**

## **Introduction**

Latvia's foreign policy priorities in 2020 were mainly aimed at overcoming the COVID-19 crisis. Challenges faced by Latvia in its external relations have been reinforced by coronavirus outbreak in the world. It means, Latvian foreign policy makers worked especially hard to set and reach foreign policy goals for 2020. Pandemic brought a special focus on external cooperation and importance of multilateralism and importance of transatlantic partnership for Latvia and Baltic states, as well as raised discussions about challenges of globalization processes. The summary of most remarkable foreign policy events and priorities in 2020 is presented below.

## **Tackling consequences of the Covid-19 crisis**

External relations of Latvia in 2020 were aimed at addressing of COVID-19 negative consequences. During March 2020 and April 2020 Latvia has been actively working to ensure the repatriation flights to Latvia. To overcome the ongoing pandemic crisis the Cabinet of Ministers approved the solidarity of Latvia by contributing to the budget of the United Nations Office for Covid-19 by that expressing unity with other countries who have been deeply affected socially and economically and whose capacity and resources to combat the crisis are limited. In first half of the year, Latvia's management of the Covid-19 crisis outbreak has been among the best in Europe, and Latvia has showed relatively successful epidemiological results. Government action combined with solid work on behalf of the institutions of the interior and health sectors have led to a well-

managed crisis response. However, the second wave currently is providing new challenges.

### **Fighting misinformation and disinformation related to COVID-19**

One more challenge in external relations faced by Latvian foreign policy in 2020 is misinformation and disinformation related to COVID-19. Quoting the UN Secretary General, “as COVID-19 spreads, a tsunami of misinformation, hate, scapegoating and scare-mongering has been unleashed”<sup>144</sup> which poses the serious security threat.

The Latvian Foreign Ministry’s Special Envoy on Information Security singled out three main strengths of Latvia in addressing COVID-19 information issues: 1) the critical role of the Latvian media as a trusted source of information and a platform for open public debate; 2) the efforts to conduct well-coordinated, extensive and straightforward communication relying on trusted public health experts; 3) the critical mindset and awareness of disinformation in Latvian society. Ministry of Foreign Affairs also emphasized the importance of promoting media freedom and strengthening media literacy to better prepare for a possible future crisis through analyzing lessons of Covid-19 pandemic.

### **Latvia’s voice on the global arena sounds louder during pandemic**

In 2020 Latvia was also taking the lead in important discussions/events and global political discourse helping to shape political agenda. In April 2020, Latvia stimulated the development process the United Nations Intergovernmental Conclusions and Recommendations on Financing Development, which were adopted unanimously in New York.

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<sup>144</sup> <https://www.mfa.gov.lv/en/news/latest-news/66117-cross-regional-statement-on-infodemic-in-the-context-of-covid-19>

Additionally, under the leadership of Latvian representative, 1) the first online discussion in the history of the Economic and Social Council of the United Nations was held since with the outbreak of pandemic transportation services are limited<sup>145</sup>; 2) the United Nations came to a common approach to finance the prevention activities of Covid-19, 3) and to an agreement for additional support to the poorest.

This year Latvia also has initiated a Cross-Regional Statement on “Infodemic” in the Context of COVID-19<sup>146</sup> issued within the UN system, to tackle the issue of disinformation related to COVID-19. The statement was supported by 130 UN Member States and two UN observers. As a follow-up to this statement, Latvia together with Australia, France, India and Indonesia organized a side event “Responding to the “Infodemic” – Sharing Best Practice” on the eve of the United Nations General Assembly’s special session on COVID-19.

### **Broader representation in the international organizations**

Broader representation in the international organizations is a prerequisite for the implementation of interests of Latvia’s foreign policy. As a result, in 2020 Latvia has submitted its candidatures for the following seats and posts at international organisations<sup>147</sup>:

- Latvia has presented its candidature to the non-permanent seat of the UN Security Council for the term 2026-2027 at the elections in 2025;
- Latvia has presented the candidacy of Dr. Martins Paparinskis for election to the International Law Commission for the term 2023-2027 at the elections in 2021.

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<sup>145</sup> <https://www.mfa.gov.lv/aktualitates/zinas/65936-latvijas-vadiba-ano-vienojas-par-kopigu-pieejju-attistibas-finansesanai-covid-19-krize>

<sup>146</sup> <https://www.mfa.gov.lv/en/news/latest-news/66117-cross-regional-statement-on-infodemic-in-the-context-of-covid-19>

<sup>147</sup> <https://www.mfa.gov.lv/en/policy/international-organizations/latvia-at-the-united-nations/candidatures-of-latvia>

## **International cooperation strengthened to overcome Covid-19**

As Latvia is a relatively small economy the external cooperation between Baltic countries and European Union has been crucial for the recovery after economic and social consequences caused by the Covid-19 crisis.

In April 2020 Minister of Foreign Affairs of Latvia together with the Foreign Ministers of other Baltic and Nordic countries discussed the need to cooperate on a regional scale to combat the consequences of the Covid-19 crisis. To ensure the safety of Nordic and Baltic countries' citizens the Foreign Ministers of those countries have assessed co-operation to provide repatriation flights or other transit opportunities. In all, the overall priority for Nordic and Baltic countries is the regional cooperation and the reduction activities of Covid-19 crisis.

It was vital for Latvia to strengthen multilateralism through cooperation in international organisations and bodies such as the World Health Organisation and the United Nations Human Rights Council. This is of special importance now as the world is fighting the threats posed by the COVID-19 pandemic.

## **Latvia keeps encouraging transatlantic partnership and unity**

The crisis triggered by the COVID-19 pandemic has highlighted the importance of the transatlantic partnership. Ministry of Foreign Affairs of Latvia pointed out that regardless of changes in the United States administration, the European Union and the United States of America should continue working closely together. Transatlantic unity is key in framing a common policy in relation to Russia and China. Like-minded countries must be united and consistent on matters related to our shared values and security in its broader sense<sup>148</sup>.

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<sup>148</sup> <https://www.mfa.gov.lv/en/news/latest-news/67189-representatives-from-the-baltic-and-nordic-countries-and-the-united-states-of-america-underline-the-significance-of-transatlantic-unity>

During 2020 the Latvian Foreign Minister expressed in particular, that Canada is an important strategic partner to Latvia and the EU. Latvia encourages cooperation between Canada and Latvia, and also EU to Cooperation of the EU and Canada and joint acting can demonstrate to the rest of the world that democratic societies can recover from the pandemic in the most effective way and return most rapidly to economic growth.

### **International relations with China and participation in CIIE 2020**

In past 30 years there has been a steady growth in bilateral trade and cultural exchanges between Latvia and China. Though key export from Latvia are commercial products like wood, peat and frozen blueberries, Chinese consumers are increasingly interested also in skin care and food products from Latvia. Most commonly found Latvian food and beverages are healthy breakfast cereals, fish cans, alcoholic beverages and baby food. Latvia recently has also started exporting beef to China.

At the 3<sup>rd</sup> China International Import Expo (CIIE 2020) Latvia shared both its usual import products presented in Latvian Import Pavilion in Greenland Global Commodity Trading Hub, and innovation industrial products such as “invisible glass” by Latvian company Groglass and mineral paint by the Riga Varnish and Paint Factory (RILAK). It is expected that future participation in the CIIE exhibition will bring new opportunities for Latvian business and industry.

### **Support to democratic society in Belarus**

The presidential elections in Belarus have been one of the foreign policy issues in 2020. Latvia, together with other EU Member States has expressed its solidarity and fully supports the deep desire of Belarusian people to live in an independent, free and democratic Belarus. According to Ministry of Defence and Ministry of Interior, Latvia was prepared to accept political asylum seekers from Belarus. However, Latvia has not



received requests for political asylum from Belarusian citizens. Latvian Government has also agreed to strengthen Belarusian civil society by allocating €150,000. It was said that one of the directions is the provision of legal aid to those in administrative or criminal proceedings, as well as to support the media.

### **Summary**

In 2020 most of the foreign policy events and activities have been made in context of the outbreak of Coronavirus. The Latvian Foreign Ministry dedicated its information security activities to clarifying misinformation and disinformation related to Covid-19 promoting media freedom.

In 2020 Latvia was also taking the lead in important discussions/events and global political discourse helping to shape political agenda. To have the opportunity to influence the global agenda furthermore too, Latvia has been reinforcing its representation in international organizations. In 2020 Latvia has presented its candidature to the non-permanent seat of the UN Security Council for the term 2026-2027 and has presented their representative candidacy for election to the International Law Commission.

During this year Latvia has spent significant efforts on strengthening cooperation with its existing partners: the other two Baltic states, Nordic countries, EU and China. Latvia also underlined the need for transatlantic unity and continued cooperation between the USA, Canada and Europe on security policy and building defense capabilities. The relations with another strategic cooperation partner of Latvia – China, were strengthened too, in particular through participation in 3<sup>rd</sup> China International Import Expo in Shanghai.

Among other important foreign policy issues for Latvia was the support and solidarity towards Belarus after its presidential elections this year.

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## **Lithuania steps up diplomatic efforts to pursue the national interests**

**Linus Eriksonas**

The year 2020 witnessed a new type of diplomacy emerging – due to the quarantine measures most of the meetings and negotiations between the world's political leaders and the diplomats alike took place online rather than face-to-face, which is the essential way of conducting diplomacy. The visits of foreign leaders became rare or even exceptional (the visit of French President Emmanuel Macron in Vilnius in September was one of the highlights of the traditional diplomacy), while the summits turned into the digitally mediated experiences. The diplomatic styles - coercive bargaining, pragmatic statecraft, reasoned dialogue – have changed into the proceedings taking place not behind the closed doors but in front of the computer screens.

The participatory diplomacy involving the domestic audiences have become a new normal, which saw the foreign affairs to increasingly reflect more national than international agendas. It also affected how Lithuania has conducted foreign affairs during the first coronavirus year.

Below is an overview of Lithuania's foreign policy's main objectives and the directions take during the last year. It will try to explain the drivers, which have encouraged Lithuania to pursue the national interests more vehemently on the international arenas of global politics with remarkable if tentative results.

The foreign affairs conducted by Lithuania over the outcoming year did not significantly differ from the global trends. On the one hand, the diplomatic service has been engaged in actively guiding, advising and at times coordinating the movement and, in some cases, the citizens' transportation across different countries (as it happened at the start of the

first wave of the pandemic). On the other hand, Lithuania's diplomacy sought to expand the scope of involvement by addressing global multilateral initiatives thanks to the expanded possibility of participating in international meetings via video conferences. Digital diplomacy has suddenly created a more level field in international affairs and created opportunities for a smaller country with the limited resources and the available diplomatic cadres to leave their footprint in various online proceedings.

The year has seen Lithuania's diplomats' active participation in the online events that covered the UN, the EU, NATO, Three Seas Initiative, Baltic Sea Region cooperation, and many other multilateral agendas. However, virtual, e-diplomacy allowed Lithuania to be more actively involved in high-level meetings online and created new openings for bringing out the diplomatic initiatives that closely follow its national interests.

There have been three main foreign policy objectives and sets of activities related to them which have been vehemently pursued by Lithuania in online and few face-to-face meetings over the year 2020. The first and foremost objective has been to decrease the leverage of the unfriendly neighbouring powers of posing risks of diminishing the national sovereignty – limiting their capacity of direct, hybrid or cyber warfare activities. To that end, Lithuania's diplomacy has been closely engaged with the US in the bilateral format and as part of the Three Seas Initiative and the Nordic-Baltic Eight group to increase NATO troops' military presence in the region. The key objective has been to decrease the exposure of the so-called Suwalki corridor, which is regarded as one of Lithuania's geopolitical vulnerabilities due to the militarized Kaliningrad enclave nearby. Lithuania has been advocating closer involvement with the US and the UK in the Baltic Sea region to increase security. To that end, Lithuania has worked at the EU level to balance the EU and the UK relations after the Brexit, so that the UK would remain a strategic partner involved in the EU in general and the Baltic Sea region in particular economically and by

contributing to the overall security and defence arrangements under NATO.

The second objective has been to delegitimize Minsk's authorities after the presidential elections officially recognized by Lithuania and the other EU Member States as falsified. Lithuania, along with other EU Members active in the Eastern Neighbourhood policy (Germany and Poland, first of all) has been instrumental in supporting the imposition of sanctions against the leaders of the current administration in Belarus. In December, the additional calls to impose sanctions on a Belarus state-owned fertilizer manufacturer did not materialize, since the Lithuanian government did not risk creating the economic burden for the port city Klaipėda because a third of all cargo going through the port originated from that company. However, the message was clear; Lithuania is ready to pursue a regime change in Minsk even if it can come at the cost to economy. It is seen as one more step towards deleveraging the security threats posed by Russia in the region.

The third objective, tightly linked to the above one, has been to further increase Lithuania's energy security by creating the interconnections with continental Europe, accessing the EU gas market via Poland, and achieving the earliest possible synchronization of the Lithuanian energy system with the rest of the EU. The decoupling of Lithuania's electric grids along with those of Latvia and Estonia from Integrated Power System of Russia and Belarus, is planned for 2025. During the year 2021, Lithuania's political and diplomatic efforts to prevent the access of energy from a new nuclear power plant built by the Russian state enterprises in Belarus materialized. The European Commission adhered to the position formulated by Lithuania on the non-access to the markets of the EU Member States of electricity from nuclear power from neighbouring countries where unsafe nuclear power plants are operating and do not comply with the EU stress testing requirements and breach international nuclear safety and environmental conventions. Belarus's power plant falls under the category of such power plants and will be debarred from providing electricity to EU markets.

On 10 December the newly elected Parliament adopted almost unilaterally (by 112 votes in favour with three abstentions) a “Resolution on the long-term guidelines and continuity of Lithuania’s foreign and European policy”. Firstly, the document aims to demonstrate Lithuania's foreign policy continuity following the change of government at the end of the year, as has been the case after each term of the parliament. Secondly, it serves the purpose of outlining the priorities in the foreign policy that will be pursued by the country further.

The resolution stated that "the Republic of Lithuania's strategic geopolitical interest is to strengthen the EU and remain at the core of EU-building countries and to actively develop the coalitions reflecting the interests of the Republic of Lithuania." It further indicates the need to simplify decision-making and strengthen the common approach on the Member States' foreign and security policy, starting with the countries in the EU's Eastern neighbourhood. By emphasizing the common approach in this context, the resolution refers to the efforts to achieve greater integration, "open the door for countries to acquire candidate status and negotiate the membership". Lithuania thus declares its readiness to advocate that Moldova, Georgia and Ukraine should be granted the status of candidates for EU membership, and will support any follow-up steps. The support given the newly elected President of Moldova by the coalition of seven Central and Eastern European countries brought together under the coordination of Lithuania’s President is an example of such initiative.

The parliamentary resolution also highlighted the need "to build a democratic and European Russia". Concerning the Trans-Atlantic relations, the resolution has maintained that "the Republic of Lithuania's objective must be to strengthen cooperation between the EU and the US, particularly in the areas of trade, energy, cybersecurity, and other hybrid threats. expand the political, parliamentary dialogue on foreign policy issues, including the development of the area of democracy and freedom in the world, and increase the US's continued military presence in Europe and, in particular, in the eastern NATO flank." Further, the Lithuanian parliament has acknowledged that it would strongly support NATO's

engagement with Ukraine and Georgia in the decade to come, with the view of bringing those countries closer to the alliance in 2030.

At the end of the year, the new government that came to power has effectively completed the gradual shift of Lithuania's foreign policy from a more Eurocentric position to a more pro-active Trans-Atlantic direction. The influential and long-standing member of the parliamentary Committee on Foreign Affairs (a former Minister of Foreign Affairs) Audronis Ažubalis, in a personal commentary on the leading news portal made a very bold statement arguing for the need to pursue the national interests in the foreign policy even at the expense of the consensus with other partners. He advocated the prevention of the EU policy changes towards Russia and other countries if those policy changes conflicted with the national interests. "We must strive not for appreciation but for an understanding that would enable to return and consolidate our legitimate national interests in the transatlantic and common European politics so that ... we could survive as a Nation, as a State", - stated the influential politician by addressing the nation.

The former EU Ambassador to Russia Vygaudas Ušackas (a one-time Minister of Foreign Affairs in Lithuania), represented an alternative view, advocating if not a policy change to Russia than at least the change of rules of engagement. He argued for the overhaul of relations towards Russia "to better understand the risks, concerns, opportunities, and limitations of the difficult relationships". This opinion is informed by a group statement put forward in December by the European Leadership Network who acknowledged that the security situation in Europe has deteriorated to its lowest point since the end of the Cold War. Hence, there was a need to revert the situation by re-establishing practical dialogue between Russia and NATO, developing common rules that can reduce the risk of unintended incidents and to minimize the conflict's likelihood.

Lithuania's foreign policy has achieved some remarkable if tentative results in pursuing national interests over the last year. Most importantly, the country has become an essential factor in the EU and NATO policies towards Russia and vice versa. By actively exploring the ad hoc coalitions

and alliances multilaterally, Lithuania entangled the competing powers in the virtual debates and the public discussions on the internet.

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## **Montenegrin External Relations in 2020**

**Milika Mirkovic**

***Summary:** The pandemic, like all other areas, affected issues related to external relations. In fact, the pandemic has shown that cooperation and a common approach are crucial in solving the problem. In 2020, Montenegro continued with the EU integration policy and carried out activities towards fulfilling the conditions. The last negotiation chapter on competitiveness has been opened, which is an important step on the Montenegrin integration path. During 2020, Montenegro maintained good relations with the EU and with non-EU countries. In relation to the countries of the region, there was tension at the political level with Serbia throughout the year, where disagreements could be observed in various social and economic issues.*

### **EU integration process has been continued**

EU integration policy is the main issue in conducting external policy of Montenegro. During the previous period this process was slowed down due to disagreements within the EU leaders around the EU integration of Western Balkan countries. At the beginning of 2020, European Commission adopted new – revised enlargement methodology in order to improve the whole process of EU enlargement. Since Montenegro is in an advanced stage of the integration process, the new methodology does not affect the overall process. However, Montenegro has accepted the new methodology, which can affect improvement of process of integration towards the deepening of reforms and enhance cooperation and communication with EU countries. In the middle of the year Montenegro opened last negotiation chapter 8: Competitiveness, which was an important step in the EU integration process u period Croatian presidency

of the Council of the EU, which put the issue of enlargement among the priorities and as one of the important issues. Due to political changes in the second half of the year, Montenegro slowed down the implementation of reforms to move closer to the EU.

The EU's orientation towards the Western Balkans region is shown by the adoption of the Economic Investment Plan for the Western Balkans in October 2020. Namely, European Commission adopted an Economic Investment Plan for the Western Balkans which covers period from 2021 to 2027 and which involves investments of EUR 9 billion in transport, energy and environment, digital infrastructure, etc. Realisation of this Plan present a significant driver of economic development in Montenegro and other Western Balkan counters and represent significant incentives to overcome the difficulties caused by the COVID-19 virus pandemic. In addition, Economic Investment Plan will contribute to the strengthening of cooperation and relations between regional countries, which could result in more intensive economic and foreign trade cooperation within the region, but also further stronger relations with the EU. Through the contribution to the creation of a single investment zone, the whole region can become more attractive for foreign investments. Regarding to Montenegro, the implementation of this Plan has already started, so that financial resources in the amount of EUR 40.2 million have been provided for the development of railway infrastructure (of which slightly more than half are grants).

### **Montenegro remains**

#### **on the same course in terms of foreign policy**

One of the important issues regarding foreign relations that emerged is the course of foreign policy after parliamentary elections and changing government in Montenegro. This issue would not be strange if the new government did not consist of political parties and groups that have completely different views on issues concerning, among others, the external relations of Montenegro, such as Montenegro's membership to NATO, the decision on recognition of Kosovo, external policy towards

Serbia and Russia etc. However, according to the new government, despite the differences, there will be no change in Montenegro's external relations. New ruling coalition, i.e. have signed Agreement which states that Montenegro will continue to implement and fulfil its international obligations in the coming period (continuation of the policy of EU integration and improve cooperation with NATO Alliance, the issue of withdrawing the recognition of Kosovo as independent country will not be considered and therefore policy towards the region will not change significantly etc.).

Certainly, with Montenegro pursuing a policy of joining the EU, which is continued by the new government, all changes in foreign policy will be in the domain of EU integration and in line with EU foreign policy. Therefore, major changes in external relations cannot be expected. In addition, the continuation of the current policy is also important for maintaining the stability of the entire region.

### **Cooperation has never been more important**

During 2020, the “unity” was most pronounced word and was recognized as an inevitability in international relations. Therefore, the pandemic with all the challenges it brought pointed to the need for unity and solidarity. The virus does not know national borders and pandemic is a problem of all countries and only joint action can give results.

In the first days of the pandemic in Montenegro, many countries entailed restricting and banning the export of primarily medical supplies and equipment and food products in order to protect domestic markets from potential shortages, which influenced Montenegro to face the shortage of medical supplies. After the European Commission adopted a measure in mid-March according to which Member States may restrict and prohibit exports of medical supplies, the Western Balkan countries were later exempted from restrictions on exports of medical supplies from the EU, which was very important for Montenegro in the fight against corona virus. It is also important to emphasize solidarity with Montenegro in providing

assistance that was shown by EU countries, but also China, United States, Turkey, which provided various medical equipment and supplies and other forms of support.

Many events and regional initiatives have been organised with aim to strengthen regional solidarity and cooperation especially in the joint fight against the challenges posed by the pandemic, but also to strengthen the integration process to EU.

EU-Western Balkans Summit 2020 was organised in May in Zagreb which was dedicated to issues of cooperation in the fight against the corona virus pandemic. The Zagreb Declaration was adopted at the Summit, which implies mutual solidarity in the fight against pandemic. The Zagreb Declaration concluded undisputed support for the European perspective of the Western Balkans. Although there was no direct discussion on enlargement, Zagreb' Summit is of great importance for Montenegro since it has shown commitment of the EU to the Western Balkans region. Also, under the South-East European Cooperation Process (SEECP) virtual meeting of political directors was organised in July with aim to strengthen relations between South East Europe (SEE) countries, i.e. cooperation in the fields of economy, politics and security, democracy, justice and other issues in relation to human rights. Cooperation at regional level was more important in the period of the COVID-19 virus pandemic and Montenegro has shown strong commitment to improving and strengthening regional connectivity.<sup>149</sup> In addition to active participation in the SEECP meeting, Montenegro has been active in the Central European Initiative (CEI), which is another platform aimed at regional cooperation for European integration and strengthening the European integration process.

Certainly, Montenegro maintained good relations with the EU, but also with non-EU countries during 2020. Regarding the regional countries, Montenegro has very good relations with all countries, although during the year, on the political level, there was a conflict with Serbia. The reason for

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<sup>149</sup> <http://www.mvp.gov.me/vijesti/229843/Crna-Gora-cvrsto-posvecena-saradnji-u-okviru-regionalnih-inicijativa-SEECP-i-CEI.html>

disagreements with Serbia was the adoption of the Law on Freedom of Religion in Montenegro, where the then authorities were accused of endangering their church property. That was also the reason for the protests during this year. In this regard, Montenegro and Serbia exchanged sharp and opposite comments and opinions, which contributed to the strained relations between the two countries. These relations were additionally deteriorated due to disagreements over the import of medical equipment during the corona virus pandemic and culminated in June when Montenegro banned Serbian citizens from entering due to the unfavourable epidemiological situation in Serbia, which led to continuation of exchanging conflicting comments from both sides. Also, from the Montenegrin side, there were accusations against Serbia and interference in the parliamentary elections and the election process. Also, Serbian diplomats continued to interfere in the internal affairs of Montenegro, where they denied the decisions of the Parliament, i.e. the Resolution which annuls decisions of the Podgorica Assembly brought in 1918 (when Montenegro was abolished as a state). Due to such attitudes, the Ambassador of Serbia to Montenegro was declared a *persona non grata*.

Disagreements between Montenegro and Serbia, in one segment were transmitted to the economy. In Serbia, there were negative campaigns for Montenegrin tourism, which, together with restrictive measures, reduced the number of tourists from Serbia, which was reflected in revenues from the tourist season. Also, the result of these disagreements were counter-measures by Serbia, which banned the landing of planes of the Montenegrin Air Company at the Belgrade airport during short period in summer.

In addition to regional co-operation, Montenegro had very good cooperation with other non-EU countries, such as China and Turkey. Thanks to good relationships, China was among the first countries to send aid, consisting of medical equipment and medical supplies, as well as individual donations and aid. Also, fifteen Montenegrin companies presented products at the "China Yiwu Imported Commodities Fair" in

Yiwu which can be a significant step in establishing cooperation with Chinese companies and placing products on the Chinese market.

## **Macedonian external relations in 2020**

**Gjorgjioska M.Adela**

***Summary:** The year 2020 unveiled several by-products of the foreign policy pursued by the Zaev-led Government. Since June 2017 when the SDSM-DUI Government was established, its foreign policy has focused on three main objectives: attainment of NATO membership, integration in the European Union and the building of good bilateral relations with EU member states from the region (Greece & Bulgaria). In March 2020 N. Macedonia became the 30th member of the NATO Alliance.<sup>150</sup> As the year unfolded, the second goal - EU membership - grew increasingly more distant and uncertain. Whereas in the autumn of 2019, France had been the main cause behind the delays in opening EU accession talks, one year later Bulgaria proved to be the main stumbling block for the country's accession bid.<sup>151</sup> This seriously damaged the credibility of the Government, which has lauded itself for its foreign policy, frequently using it as a smokescreen for underperformance and/or backtracking in domestic politics. At the same time, the coronavirus pandemic brought into light the Government's inability to utilize foreign policy as an instrument for advancing human security.*

### **NATO membership**

On March 27th N. Macedonia officially became a member of the NATO Alliance. Whilst Government officials marked the event with celebratory remarks, these stood in contrast to the despondency of the

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<sup>150</sup> [https://www.nato.int/cps/en/natohq/news\\_174589.htm](https://www.nato.int/cps/en/natohq/news_174589.htm)

<sup>151</sup> <https://www.bbc.com/news/world-europe-50100201>

broader public.<sup>152</sup> This gap has to do with three background reasons. Firstly, the process of NATO accession was directly related to the country's name change from the Republic of Macedonia to the Republic of North Macedonia, which was opposed by large sections of the population, in particular by ethnic Macedonians.<sup>153</sup> Secondly, the only plebiscite on the country's NATO membership was the failed referendum from September 2018.<sup>154</sup> In view of this, NATO membership cannot be assigned the status of a consensually shared societal goal, in spite of sustained attempts by the political elites and media to portray that to be the case. Thirdly, the accession in NATO was overshadowed by the unfolding of the Covid19 pandemic. Not only did it preoccupy the attention of the populace, the health crisis also challenged the contemporary value and relevance of the Alliance in the face of the real challenges to human security in the 21st century such as Covid19.<sup>155</sup>

In the autumn period, several other by-products of the Government's foreign policy emerged. On October 2nd Zaev announced that the country will join the construction of the LNG terminal for natural gas in Alexandroupolis, Greece, which will provide access to the supply of natural gas to Macedonia from Azerbaijan. The US Assistant Secretary of State for Energy Resources, Francis Fannon, expressed USA's support of the project.<sup>156</sup>

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<sup>152</sup> <https://pretsedatel.mk/en/president-pendarovski-on-eu-and-nato-membership-we-deserve-a-new-chapter-in-achieving-the-countrys-strategic-goals/>

<sup>153</sup> Gjorgjioska, M. (2020). Ethnicity and Nationality in and around the 'Prespa Agreement' on the Macedonia Name Issue, *European Yearbook of Minority Issues Online*, 17(1), 190-211.

<sup>154</sup> <https://www.bbc.com/news/world-europe-45699749>

<sup>155</sup> Human security refers to threats to human survival, livelihood and dignity that come from the absence of human, environmental, energy, infrastructure and socio-economic security

<sup>156</sup> <https://www.karanovicpartners.com/news/north-macedonia-joins-the-energy-project-alexandroupolis/>



Several weeks later, on the 23rd of October Zaev signed a Memorandum of Understanding with the USA on security issues linked with new telecommunications technologies, as part of a broader offensive by the USA aimed at keeping Chinese companies out of the race for building 5G infrastructure in countries across Europe.<sup>157</sup> “We have an obligation to align our telecommunications development policies with those of the EU as well as to align the security aspects of the implementation of the 5G network with our strategic ally, the US,” Zaev declared during the signing ceremony.<sup>158</sup> This step failed to receive sufficient media coverage in spite of the implications it may have on the traditionally friendly relations with PR China. Moreover, it confirmed the subservience of the Government towards the USA, which was institutionalized with the country’s NATO membership.

### **EU Accession negotiations?**

The first quarter of 2020 was a reverberation of the foreign policy developments in the autumn of 2019. After the European Council failed to start talks with Macedonia in October 2019 PM Zaev called for early elections. Scheduled for April 12th, the elections were later postponed due to the pandemic (and were held on the 15th of July). By the end of March 2020 the European Council decided to open accession negotiations with the country.<sup>159</sup> Less than a month later the full Council conclusions were published. The contents of one of the Annexes (submitted by the Bulgarian

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<sup>157</sup> [https://www.state.gov/united-states-republic-of-north-macedonia-joint-declaration-on-5g-security/?fbclid=IwAR0hIJB9ORrZ3\\_cFDI5ypvsPgJmCDhXa8IIuwFfK5RoeYh4yFzQYCKNJGc](https://www.state.gov/united-states-republic-of-north-macedonia-joint-declaration-on-5g-security/?fbclid=IwAR0hIJB9ORrZ3_cFDI5ypvsPgJmCDhXa8IIuwFfK5RoeYh4yFzQYCKNJGc)

<sup>158</sup> <https://balkaninsight.com/2020/10/27/north-macedonias-5g-plans-put-chinas-friendship-at-risk/>

<sup>159</sup> “EU leaders endorse Council conclusions on North Macedonia and Albania”  
<https://europeanwesternbalkans.com/2020/03/27/eu-leaders-endorse-council-conclusions-on-north-macedonia-and-albania/>

delegation) introduced the new hurdle on the Macedonian road to EU membership - opposition from neighboring Bulgaria. The Annex stated that the decision to open accession negotiations “does not prejudice or limit the positions that the Republic of Bulgaria will be taking while working on the future negotiating frameworks for the Republic of N. Macedonia”. Moreover, it calls for the EU to restrain from referring to “Macedonian language” in official EU documents”.<sup>160</sup> This Annex set the tone of the developments which were to follow in the autumn period.

The EU negotiation frameworks for N. Macedonia (and Albania) were scheduled to be signed off on November 10 at the EU General Affairs Council and accession negotiations were expected to commence in December 2020. However, in the weeks leading up to these dates, Bulgaria engaged in an aggressive diplomatic offensive, crystalizing its threats to block the Macedonian path towards EU membership.<sup>161</sup> Germany, as the country presiding over the Council of the EU in the second half of 2020, took diplomatic steps to prevent the veto. On the 2nd of November, talks between a Macedonian and Bulgarian delegation were hosted in the German Federal Foreign Office in Berlin.<sup>162</sup> In spite of such efforts, on the 17th of November 2020, Bulgaria officially blocked the start of EU talks with N. Macedonia. The fact that this decision took place during the German Presidency of the EU Council only amplified concerns that the deadlock is not likely to be easily broken.

In the weeks that followed the veto caused turbulences on the Macedonian domestic socio-political sphere. These especially heightened after PM Zaev’s highly controversial interview for the Bulgarian news

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[https://www.parliament.gv.at/PAKT/EU/XXVII/EU/01/66/EU\\_16606/imfname\\_10969905.pdf](https://www.parliament.gv.at/PAKT/EU/XXVII/EU/01/66/EU_16606/imfname_10969905.pdf)

<sup>161</sup> <https://europeanwesternbalkans.com/2020/09/22/bulgaria-sends-a-memorandum-on-north-macedonian-eu-accession-on-their-state-sponsored-anti-bulgarian-ideology/>

<sup>162</sup> <https://360stepeni.mk/vo-berlin-popladnevo-na-ista-masa-dimitrov-osmani-i-zaharieva-so-germanski-olesnuvachi/>

agency BGNES, which sparked anger and public outrage. Whilst Zaev appeared to demonstrate a readiness to appease Bulgarian aggression by accepting the Bulgarian nationalist “version of history”, the big social backlash domestically suggested that the Macedonians do not share his subservient approach and are not willing to sacrifice their history and national dignity in exchange for the vague promise of EU membership. Zaev’s political authority was further eroded by allegations of personal business links with Bulgarian (business-political) elites, which raised suspicions that his conciliatory approach is not motivated by concerns for the country as a whole but by his own private interests. Overall, the social outrage sparked by Zaev’ interview revealed a big and a widening gap between the foreign policy tactics and objectives of the current Government, and the positions espoused by the broad public. What is more, following a series of failures to secure the opening of EU accession talks and a rising public opposition, the Government appeared to be on ever shakier grounds.

### **External Relations and the coronavirus pandemic**

Over the course of 2020 the Government spent over 1 billion euros on economic packages in response to the coronavirus pandemic. The majority of these funds came from loans from Western Financial Institutions. In total the loans incurred an increase of the country’s public debt by 11%. This raised concerns that the financialization of Covid19 could have opened new avenues for the accumulation of profits and the dispossession of public debt. At the same time it contrasted the reliance on debt vis a vis the financial support from other sources such as the EU. In March the EU provided bilateral assistance of €4 million for N. Macedonia to cover immediate needs for its health needs, as well as €62 million redirected funds from the Instrument for Pre-Accession Assistance (IPA) to help mitigate the socio-economic impact of the coronavirus.<sup>163</sup> One month later on the 29th of April 2020, the EU announced a financial

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<sup>163</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_561](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_561)

package of over €3.3 billion “in order to address the immediate health and resulting humanitarian needs of the COVID-19 pandemic as well as help with the social and economic recovery of the Western Balkans”.<sup>164</sup>

Overall, the year 2020 revealed several by-products of the foreign policy path of the Zaev-led government. By the end of the year the prospect of EU membership grew more distant and uncertain. Moreover, as the coronavirus pandemic unfolded the country’s foreign policy was exposed as more and more detached from domestic human security concerns. In the autumn period, when the country was experiencing a peak of infections and deaths, global discussions commenced on the distribution and provision of Covid19 Vaccines. However Macedonian officials consistently failed to provide any information to the public with regards to questions such as when the vaccine will be made available, how it will be sourced and how it will be administered. This raised fresh doubts about the capacity of the Macedonian foreign policy to offer solutions to the concrete challenges faced domestically. Finally, the by-products of the Government’s foreign policy path revealed its inability to use diplomacy and foreign relations as an instrument for advancing domestic human security and socio-economic objectives even in times of crisis.

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<sup>164</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_777](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_777)

# **Polish diplomacy in times of pandemic**

**Joanna Ciesielska-Klikowska**

***Summary:** The directions of contemporary Polish foreign policy are described in the document “Priorities of Polish foreign policy in 2017-2021”. This paper, apart from setting a strategy, aims to coordinate the activities of government administration in the field of international relations. The vital goals of the country’s foreign policy include concern for the independence of the state and its territorial integrity, as well as the development of the country based on the growth of friendly contacts with state and non-state entities. In 2020, unexpectedly the pandemic casted a shadow on diplomatic activity. However, apart from the coordination of international actions to combat the epidemic, the crucial activities of Polish foreign policy focused around three issues: relations with the European Union, relations with the USA, and relations within the Visegrad Group. The summary of Polish diplomacy in 2020 looks therefore as follows.*

## **1. Relations with the European Union**

The past year has shown that there is a possibility of further self-isolation of Poland in the EU. This was particularly evident during the campaign conducted before the presidential elections in the spring, which focused on identifying the EU-US opposition and strengthening Polish alliance with the Americans, while weakening ties with Europe. This direction was, in a way, an extension of the previous policy of the ruling camp of the Law and Justice party (Prawo i Sprawiedliwość, PiS), which for years has been conducting a rather confrontational course towards the EU. In 2020, this attitude was visible in three aspects.

Firstly, in growing Euroscepticism among authorities, heated by discussions about the presence in Poland of companies with foreign, mainly German, capital, and attacks on Germany's imaginary expansionist intentions in the EU. These attacks were all the easier as it was Germany who held the presidency of the EU Council in the second half of the year. However, as in most cases in recent Polish history, this game against Germany was only supposed to consolidate conservative voters and served to shape domestic politics in the country.

Secondly, in cooling relations between the Polish authorities and European institutions in the field of the rule of law. The most important example here were the weeks-long discussions on the possible vetoing of the EU budget, due to the introduced provisions linking the payment of funds in connection with the rule of law. Especially the Minister of Justice, Zbigniew Ziobro, unequivocally supported the use of a veto, arguing that "there is no other option in the case of lawlessness, which the largest EU countries and the German presidency want to apply". This play though was intended rather to strengthen Ziobro's position in domestic politics and was in fact a challenge for PM Mateusz Morawiecki, Ziobro's greatest political competitor. In the end, Morawiecki did not veto the budget - although the principle of "money for the rule of law" remained, Morawiecki (together with Hungarian PM Viktor Orban) managed to negotiate that this mechanism would operate in a limited formula. This small success of the government, however, meant a great success for Poland, which has been one of the biggest beneficiaries of EU membership for years, and the very support for integration in Poland is extremely high (over 80%), regardless of political views.

Thirdly, in marginalizing the political significance of Poland in the context of relations with the EU's neighbours. Until recently, Poland was the leading voice of the Eastern part of the European Union. Currently, however, it is Lithuania, that sets the tone of the EU's response to events in Belarus or Ukraine. Although Poland is still well connected with EU neighbouring states, it cannot constructively use this potential because its channels of communication with the larger and richer countries of Western

Europe do not function properly and it does not have good relations with the leaders of EU institutions.

These three points show that Polish weight in the EU is decreasing and, once being a leader in the region, the country has somewhat moved to a peripheral state in EU politics. This is also indicated by the fact that the Prime Minister is responsible for the implementation of European policy, yet his sphere of interests focuses primarily on domestic politics. Morawiecki, contrary to expectations, has neither the time nor the competence to deal with the EU issues. This is why the importance of European policy is currently quite marginal - neither former MFA Jacek Czaputowicz, nor his successor (since the end of August 2020) Minister Zbigniew Rau have changed it.

## **2. Relations with the United States**

When it comes to cooperation between Poland and the United States, it is obvious that in international relations Warsaw has put everything on this one card, considering the alliance with Washington as the main guarantee of Polish security and stability. In 2020 this direction of foreign policy was evidently pursued by the centre around President Duda, who was running for re-election. An example of this was an official visit to the White House, paid by Andrzej Duda on June 25, 2020, just three days before the first round of presidential elections. Duda became the first foreign leader Donald Trump met after lockdown. It's no secret that both politicians liked each other a few years ago, but the relationship between them has always been unequal - Duda was a petitioner, not an equal partner for Trump. Even during this meeting it was evident - in view of the weakening of Trump's position as a result of the protests in the United States and criticism of his foreign policy, the summit with the President of one of the European countries was aimed at demonstrating the position of the US in Europe. At the same time Trump criticized Germany for not increasing its financial contribution to NATO, thus demonstrating the shift of the goal of strategic military cooperation to the eastern flank of the EU.

However, one should remember about the priority of internal interests in the policy of the incumbent US President. Considering the constant attention paid to the security element in the cooperation between Poland and the United States, it is unlikely that an equal partnership will be achieved.

The relationship with the new US President, Joe Biden, still remains unknown. The Polish presidential centre practically did not take into account Trump's defeat and did not envisage any scenarios of relations with the US in the event of a change on this position. As a result, when Biden won in the first poll results, Polish head of state limited himself only to praising the "successful election campaign". Duda congratulated Biden on "winning the elections" scarcely on December 15, 2020. Of course this diplomatic affront could have been a form of mitigating the disappointment of PiS with the result of the US elections. Yet, it has to be underlined that Poland is an ally of the USA and Polish-American military cooperation is made the core of security policy. Therefore, from the Polish perspective, it is necessary to strengthen the importance of NATO in Europe, regardless of who holds the office of the US leader. Ignoring the President-elect by Andrzej Duda for over a month was thus a bad start for Poland's official relations with the new American administration.

### **3. Relations with the Visegrad Group**

For Warsaw, this third direction of international cooperation is important as well, since it enables to work out an agreement on vital issues for CEE region, and at the same time allows to seek partners for initiatives within the EU. For several years, the V4 has been experiencing its renaissance, and the countries cooperating within it strongly support each other. Political friendship between Warsaw and Budapest is also not without significance, as Hungarian Prime Minister Orbán is essential ally in the EU.

Importantly, on July 1, 2020 Poland took over the annual chairmanship of the Group. The Polish presidency set many challenges on



agenda, and although today it is difficult to talk about their full implementation (the presidency will end in mid-2021), it is worth indicating Warsaw's priorities. They include *inter alia*: coordination of the V4 at the EU political level, strengthening the influence of the V4 states in the EU decision-making process; deepening cooperation in sectoral policies; cooperation in the field of health and science; developing contacts between the societies; as well as cooperation in the area of the digital agenda (digitization, artificial intelligence, robotics, e-commerce and cybersecurity).

Obviously, the presidency coincides with the unprecedented global crisis caused by the COVID-19, which has put the functioning of societies to a severe test. The pandemic and the process of dealing with its consequences has also significantly affected the course of the Polish V4 presidency in many areas and aspects. Thus the active cooperation to tackle the effects of the coronavirus, and working together to put socio-economic life in the region on the right track will remain one of the principles also for the coming months. A constant task will definitely be building the image of the Central European region and the V4 as a flexible and constructive partner - a lot can be done here because the V4 really does have a community of interests, yet Poland must also become a more conciliatory partner for EU.

## **Conclusion**

2020 was unique in every way. In terms of foreign policy, it brought many surprising events. For the authorities in Warsaw, it meant difficult relations with Brussels, where many misunderstandings and disputes have occurred for several years. It brought about a strengthening of relations with the Trump administration, but also an unexpected (for Warsaw) election of Joe Biden, with whom relations will have to be arranged on a completely new level. However, last year also brought about a strengthening of the Polish position in the CEE region, which will be served

by the wisely used presidency of the Visegrad Group. The following months will show whether the opportunity will be used in a favourable way.

## **Overview of Romanian external relations in 2020: strengthening relationships**

**Oana Cristina Popovici**

***Summary:** Romania managed to obtain several achievements in the external field during 2020. It benefits from almost EUR 80 billion following the negotiations for the Multiannual Financial Framework and the European Union (EU) recovery plan. In addition, the newly launched European Cybersecurity Centre will be located in Bucharest, as Romania was the only country that did not have any European agency. The strategic partnerships with the United States (US) and France were strengthened, with the immediate target of building new units at the Cernavoda Nuclear Power Plant. In the region, Romania advocated for an urgent end to violence against peaceful protests in Belarus, showed support for the newly elected president of the Republic of Moldova and was involved in the international assistance project Team Europe, helping vulnerable countries to fight against coronavirus*

Romania started the year with three major focuses: the collaboration with the EU and NATO and enhancing the Strategic Partnership with the US. At the negotiations with the EU for the Multiannual Financial Framework, Romania insisted on further distributing funds for enhancing the aims of the cohesion policy and in agriculture, in order to reduce the development gaps between the EU Member States. The cohesion policy is important for Romania because it allows the continuation and completion of major investments in infrastructure, health and education. Romania managed to obtain over EUR 79.9 billion through the Next Generation European recovery plan and the EU Multiannual Financial Framework for

the programming period 2021-2027, an impressive amount as compared to the previous allocations.

The amount allocated to Romania is coming from the Recovery and Resilience Mechanism (EUR 30.44 billion), 28.22 billion from the Cohesion Funds, 19.34 billion from the Common Agricultural Policy and 1.94 billion from the Fair Transition Fund. The National Recovery and Resilience Plan (NRRP), which is a requirement of the European Commission for Member States in order to access the funds available through the Next Generation EU Recovery Plan, is under public debate in Romania. The NRRP pursues 3 strategic objectives: improving the economic situation following the pandemic crisis; strengthening the resilience capacity; ensuring long-term economic growth. The NRRP budget is structured on three pillars: transport and climate change (which is almost 65% of the budget); public services, urban development, capitalization of heritage (19.7%) and economic competitiveness, digitalisation and resilience (15.4%). Romania achieved a 7% higher allocation for the Cohesion Policy as compared to the current budget and no cuts for the agriculture policy. In addition, it obtained greater flexibility for the transfer between funds as well as favourable rules on thematic concentration, allowing higher freedom in directing funds where are needed the most.

Another important achievement is that Bucharest will host the first EU structure in Romania, the European Cybersecurity Industrial, Technology and Research Competence Centre. President Iohannis appreciated that Romania has thus registered exceptional diplomatic success. Romania was the first country to show interest in hosting the new Centre and presented several advantages. Among them, there were the above average speed of broadband connections in Bucharest, the exemption from various taxes and fees for the Centre and its employees, and the presence of some institutions ready to support the establishment of the European Cybersecurity Centre, such as the National Cyber Security Incident Response Centre. The proposal for a regulation establishing the

EU Cyber Centre was launched by the European Commission in 2018, being discussed during the Romanian Presidency of the EU Council.

The Cyber Centre is going to be a key structure in the context of EU-wide efforts to shape a European cybersecurity ecosystem. The centre will play an important role in supporting links between public and private actors, academia and industry, while ensuring coordination between national cyber security centres in the Member States. The Centre will also work to stimulate research and technological innovation in order to strengthen cyber security within the Union, and will therefore be the main body for managing European funding for cybersecurity research.

Romania also showed committal for strengthening the European project. The French ambassador to Romania, Laurence Auer, valued Romania's support on the idea of conditioning the European funds based on the respect for the rule of law.

The Strategic Partnership with the US was strengthened by the meetings between both countries' officials, which pledged for higher US investments in the areas of energy and defence and in other strategic projects of major interest to Romania, including those promoted under the Three Seas Initiative. The Governments of the two countries have signed the Agreement on cooperation for the built of the Units 3 and 4 of the Cernavoda Nuclear Power Plant and for some other projects in the civilian nuclear energy sector. The agreement implies the use of US expertise and technology within a multinational team for the works at the power plant. In addition, there is a memorandum of understanding with the US Export-Import Bank for a 7 billion dollars financing for the development of projects in the nuclear field, but also other fields.

Another agreement between the two countries targeted the defense cooperation for the period 2020-2030, through which the military capabilities to ensure peace and security in Europe and in the Black Sea region was strengthened. Moreover, the discussions between the officials of the two countries targeted the importance of carrying out with priority the Constanța - Gdansk railway project. This transnational plan has a

strategic impact on the economic development, with implications on ensuring military mobility between the North and South of NATO's Eastern Flank.

Romania also renewed the Strategic Partnership with France for the following four years. The Partnership, which is in place since 2008, involves permanent consultations on the main current European issues, with a focus on the environmental protection, transport, energy, regional development, based on a mechanism for cooperation and exchange of information. A Declaration of Intent regarding the collaboration in the civil nuclear field was also signed, France being one of the countries involved in the construction of reactors 3 and 4 and the upgrade of reactor 1 of the Cernavoda nuclear power plant. Following his visit in France, the Prime Minister promoted Romania as an investment destination and invited French companies to get involved in the development of infrastructure in Romania, guaranteeing the implementation of efficient public policies measure for ensuring transparency and fair competition for the business environment. In addition, Romania asked for support in joining the Organization for Economic Cooperation and Development and the Schengen area.

Romania was also strongly involved in the international support network following the consequences of the coronavirus. Romania was both a receiver and a provider of assistance. In a first instance, external help was essential given the pressure in the medical area and the lack of equipment and apparatus for dealing with a large number of infected persons. Access to funds was granted through the EU instruments, such as the Support to mitigate Unemployment Risks in an Emergency (SURE) Mechanism which provided loans on favourable terms for tackling sudden cost increases, the aid scheme for supporting small and medium sized enterprises in the form of direct grants and state guarantees for investment loans and working capital financing, and the funds disbursed by the US State Department. Moreover, important diplomatic efforts were successfully carried out at the beginning of the pandemics for dealing with the repatriation of Romanian citizens, as an important number of persons

were working in other EU countries based on seasonal labour contracts. Several problems were encountered during this period, which implied the use of diplomatic channels of cooperation, such as the close of the borders for human movement, the blockages at the borders of the freight carriers and the need to create transit corridors, and obtaining help for supplying the healthcare system.

As a donor, Romania was involved in the large international assistance project Team Europe, launched by the EU following the United Nations' call. In this context, Romania has reconfigured more than half of its humanitarian and assistance projects for 2020, which are managed by the Ministry of Foreign Affairs, in order to help, in the short term, vulnerable countries to fight against coronavirus and, in the medium term, to address the consequences of the pandemic where health or economic systems are outdated. The support was focused on the countries in the neighbouring regions and Africa, especially sub-Saharan Africa.

In the region, following the conflict in Belarus, Romania's position was to officially condemn the situation by adopting the Declaration on the Violation of Fundamental Human Rights in the Republic of Belarus, through which the Romanian Parliament called for an urgent end to violence against peaceful protests and expresses concern at the situation created as a result of suspicions of incorrect elections. Together with Poland and Lithuania, Romania also signed a call for the EU to propose an assistance package for the economic transformation of a democratic Belarus. Romania is among the seven EU countries which have signed a joint letter congratulating Maia Sandu on her appointment to the presidency of the Republic of Moldova, showing its support and declaring the intention to share the experience regarding the reforms and the process of European integration, an approach that could contribute to the prosperity and well-being of the Republic of Moldova on its way to the EU.

# **Retrospective of Serbia's external relations in 2020**

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***Summary:** During the past year foreign policy of the Republic of Serbia was strongly affected by several global challenges and regional developments. In order to better prepare for what lies ahead in 2021, it is important to reflect upon how the past occurrences affected Serbia's international position.*

Unfortunately, year 2020 will be remembered in future history books, as the year in which COVID-19 pandemic wrack chaos around the world. The international society's inability to join efforts to contain the crisis indicate the extent to which global governance initiatives and capacities trail behind hyper-globalization flows. From the moment the novel virus emerged as a global threat, it was apparent that every country's strengths and weak points, its health care and socio-economic systems' response capabilities, and finally, its ability to bounce back, would be put on test.

The World Health Organization on March 11 declared COVID-19 outbreak a pandemic. Serbia declared epidemic on March 20. The Government adopted measures to avert the spread of disease. Just like in many other countries, a state of emergency throughout the territory of Republic of Serbia was declared. Initially scheduled for 26 April, elections were postponed owing to declared state of emergency. A new date was set on 21 June. President Vučić's Progressive Party won comfortable legislative majority. Days before and after the elections were marked by intense diplomatic activity, culminating with official meeting of the Serbian President Vučić with Russian President Putin in Moscow.



Practically straight from Moscow, President Vučić went to Brussels. In an official one-day visit to EU capital he met with the highest EU officials.

In terms of regional affairs beginning of the year was challenging, since the controversial Law on Religious Freedoms in Montenegro was passed. With several articles of the Law directed against the Serbian Orthodox Church in Montenegro, Serbian officials found themselves in a rather difficult position between the strive to provide assistance to the Serbian Orthodox Church, while at the same time trying not to interfere in the internal Montenegrin affairs. In the following months after the adoption of the above mentioned Law, occasional tensions between Serbia and Montenegro reached critical level. Series of protests were organized by Serbs in Montenegro who want the law revoked. Former Montenegrin authorities even arrested priests of Serbian Orthodox Church.

Tariffs introduced by Pristina for goods coming from Central Serbia in November 2018 have been dropped this year by the new authorities, which allowed for the continuation of talks. As it was stated in one of the previous external relation briefings, Serbia officially utilizes these talks for attaining two important goals: to better protect rights of Serbs and other non-Albanians in the province, and of their cultural heritage, in particular for Serbian orthodox monasteries, and to pursue the continuation of the long and bumpy road towards EU membership. Especially since the prospect of EU membership is condition upon resolving Kosovo\* dispute.

In Washington, on 4 September, Serbian President Aleksandar Vučić and Kosovo\* Prime Minister Avdullah Hoti signed separate agreements with the United States on “economic normalization”. The agreement envisages, among other things, establishment of direct air and railway links between Belgrade and Pristina, construction of the Nis–Pristina highway (“peace highway”) and a number of other projects. Pristina consented to a one-year moratorium on seeking new membership in International Organizations. At the same time, Belgrade consented to cease its campaign to influence other countries to withdraw their recognition of Kosovo’s unilaterally declared independence, and will refrain from formally or

informally demanding that any nation or international organization withhold its recognition of Kosovo as an independent state.

The deal was met with mixed feelings in the Western Balkan. Some of the commentators expect the agreement to bring substantial US investment to the region, especially to Serbia since the American International Development Financial Corporation will open its office in Belgrade. Others however, interpret the signing of the agreement in Washington as a political aspiration of Serbian President to forge a new foreign policy course, more independent of Russia. Furthermore, the commitment to “prohibit the use of 5G from untrusted vendors” could potentially cause damage to Serbia’s interests, as it is an apparent intention of United States to reduce China’s presence in the region through its powerful company Huawei. Critics, also state that it served only the interests of the United States, more precisely Donald Trump’s election campaign. In addition, it seems the EU-facilitated negotiations between Belgrade and Pristina as a part of a larger European strategy towards stabilization of the region and its EU membership perspective have lost its appeal and credibility.

By signing the Washington agreement authorities in Pristina agreed to join the “Mini Schengen” initiative - the idea they were strongly opposing until recently. After the fall of the three decades long regime of Milo Đukanović, it is expected by some that Montenegro would also take part. As the end of the year was approaching, Serbia’s foreign policy activity was once again directed towards regional cooperation opportunities. This fall, a Memorandum of Understanding and Cooperation was signed between the Republic of Serbia, the Republic of North Macedonia and the Republic of Albania on cooperation in the fight against COVID-19, as well as an interstate agreement between the Republic of Serbia and the Republic of Albania on the free movement of citizens with ID cards. This interstate agreement between the two countries can be considered as a first concrete step towards unravelling of this ambitious and potentially far-reaching political and economic initiative.

In October, the long awaited Annual Report of the European Commission on the progress of the Republic of Serbia was announced. According to the Commission, the results achieved in the key areas of the overall negotiation process – progress on the rule of law reforms and dialogue with Pristina – have been largely limited or remained at the last year’s level. On the other hand, advancement has been noted on the economic front. The report also notes that Serbia intensified cooperation with China in the context of the Covid-19 crisis, and the political rhetoric was characterized by “pro-China and EU sceptical” stances (the latter not being in line with the country’s membership aspirations). Unlike previous years, during the course of 2020 Serbia has not been granted to open any new negotiation chapters with the EU. So far 18 chapters have been opened, two are temporarily closed, and five are ready to be opened.

Month of November was important regarding new opportunities for Serbian companies’ external economic performance on the single country’s biggest market in the world. Twelve Serbian companies from production and processing of food industry took part in the Third China International Import EXPO (CIIE) that was in Shanghai. Traditional ties of friendship straightened with the strategic partnership between Serbia and China were confirmed once again by inviting Serbian President, Mr. Aleksandar Vučić, to address the participants during the opening ceremony. Addressing via video link, President Vučić said that Serbia has the honour of participating for three years in a row in the world’s top platform for the promotion of trade, established by the country with the best economic performance in the world with the aim to be beneficial for all world countries. In addition, he said he is grateful for the huge support during the Covid-19 pandemic this spring, in March and April particularly, “when there was little or no help at all from any side, our Chinese friends were there and we will never forget that.” In spite of the negative effects of the pandemic, this year Serbia and China recorded a 30% increase in their trade.

Overview of the Serbia’s recent developments on the foreign policy front, suggests that although Serbia’s foreign policy priorities haven’t

officially changed, global, as well as, regional context in which they are pursued has undergone deep changes.

### **Conclusion**

As year 2020 nears to its end, perspectives on the international scale, look a tad brighter than they used to just a few months ago. Although this has been a demanding year for Serbia in terms of fighting the disastrous consequences of the corona virus outbreak, with the beginning of vaccination a few days ago one may find reasons to be cautiously optimistic about 2021. That said, majority of challenges pertaining to the external relations domain from the past will most likely remain in the years to come. Namely, these include: the issue of unilateral declaration of independence of Serbian southern province, EU accession negotiations that are de facto stalled and general ambiguity surrounding Serbia's EU future, pursuing the position of military neutrality amid mounting pressures from the international actors with vested interests, and last, but not least, diversifying international economic cooperation to better suit national interests in an ever changing geo-economics environment.

## **External relations of Slovakia in 2020**

**Juraj Ondriaš**

The trajectory and goals of the foreign policy of the Slovak Republic in 2020 were determined by two factors, one internal and one external. The internal factor was the parliamentary election of February 29<sup>th</sup>, which resulted in a new center-right government. Though it did result in some changes in foreign policy, this was mainly on a declaratory level. The external factor was the COVID-19 pandemic. While the pandemic did change the immediate goals of Slovak diplomacy, it did not change its basic orientation.

The election led to the formation of a government by four center-right electoral groupings. In order of electoral success they are the (generally) conservative OĽANO (Obyčajní ľudia a nezávislé osobnosti / Ordinary People and Independent Personalities), the conservative-populist Sme Rodina (We Are Family), the liberal-to-libertarian SaS (Sloboda a solidarita / Freedom and Solidarity) and Za ľudí (For the People), which unites conservatives and liberals. This new coalition replaced the 8-year uninterrupted rule of the center-left Smer-SD party. However, the change of government was seen mainly in domestic policy. In foreign policy, it was not so visible, because all relevant political parties share a common foreign policy consensus. The sole exception is the extreme right-wing ĽSNS (Ľudová strana Naše Slovensko / People's Party Our Slovakia), also in parliament. This consensus is built upon the conviction that Slovakia belongs to the Western world in the narrow sense. Therefore, the only viable alternative for the country is membership in Western institutions, most notably the EU and NATO, as well as adherence to Western values espoused by these organizations. The main difference between parties is how much they adhere to this consensus not only substantively, but also

formally.<sup>165</sup> Notably, the former dominant party, Smer-SD, as well as the currently governing Sme-Rodina, often try to portray themselves as protectors of Slovak sovereignty by standing up to Western powers and the main pro-Western institutions, although they pragmatically share the consensus. The new governing coalition is actually more grounded in this consensus than the previous one, since the center-right parties, representing the “winners” of the economic transformation after the fall of Communism in the country, are more inclined towards Western values and organizations. A swing towards closer relations with the USA was foreseen,<sup>166</sup> in areas such as values protection or development of 5G internet. This however leads to a more hostile attitude towards countries that do not adhere to these values, such as China, Russia or Belarus, as was seen throughout the year. Yet even the major areas of disagreement between Slovakia and the EU are common to parties of both the previous and current governments, such as opposition to migrant quotas, a stronger cohesion policy or a reliance on regional coalitions over EU-wide solutions in the coronavirus crisis, as seen below. For these reasons, a substantial change in the foreign policy of Slovakia was not expected.

But the largest influence on Slovak diplomacy this year was the coronavirus pandemic. The first case of the virus appeared in Slovakia on March 6<sup>th</sup>,<sup>167</sup> during the existence of the lame-duck government. The transfer of power between the governments took place on March 21<sup>st</sup>,<sup>168</sup> so the outgoing government presided over the first two weeks of the pandemic. Even though the handling of the pandemic became an issue in the political conflict between the new government and opposition politicians, it must be said that there was strong continuity between the two governments, both in

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<sup>165</sup> <https://euractiv.sk/section/vonkajsie-vztahy/linksdossier/dialog-s-ruskom-aj-cinou-podporuju-vsetky-velke-politicke-strany/>

<sup>166</sup> <https://euractiv.sk/section/vonkajsie-vztahy/news/zahranicna-politika-podlamatovicovej-vlady-k-washingtonu-moze-mat-slovensko-ovela-blizsie/>

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[https://www.uvzsr.sk/index.php?option=com\\_content&view=article&id=4061:slovensko-zaznamenalo-prvy-potvrdeny-pripad-ochorenia-covid-19&catid=250:koronavirus-2019-ncov&Itemid=153](https://www.uvzsr.sk/index.php?option=com_content&view=article&id=4061:slovensko-zaznamenalo-prvy-potvrdeny-pripad-ochorenia-covid-19&catid=250:koronavirus-2019-ncov&Itemid=153)

<sup>168</sup> <https://www.vlada.gov.sk/i-matovic-si-prevzal-od-p-pellegriniho-urad-vlady/>

internal and external policy. The main foreign policy measures implemented by the old government, starting from March 12<sup>th</sup>,<sup>169</sup> were travel bans or advisories to the most affected countries, entry bans on non-citizens without a residency permit, border closures, mandatory quarantine of those arriving from abroad, and repatriations of Slovak citizens.<sup>170</sup> The former government also took part in negotiations with neighboring countries on special border regimes, to alleviate the problems of citizens living in the border regions of one country and working in another. All these measures were retained by the new government.

In spite of its proclaimed close adherence to the EU and its values, the new government continued to rely more on regional cooperation with Slovakia's EU neighbors rather than on an EU-wide approach, which was favored by the EU elites and institutions. While this seems to go against the proclamations of the new government, it is in line with another feature of the common foreign policy consensus laid down by the foreign policy establishment and accepted by all Slovak governments regardless of political orientation, namely a focus on regional coalitions, such as the Visegrád Four grouping of states. Such coalitions are meant to act as a force multiplier in support of Slovakia's diplomatic objectives, since Slovakia is a small country with little hope of achieving its foreign policy goals without strong or numerous allies. For example, Slovakia joined the Czech Republic and Austria, a trilateral grouping known as the Austerlitz or Slavkov Format, in coordinating the border regime between them.<sup>171</sup> A separate border regime had to be negotiated bilaterally with the other neighbors of Slovakia. Travel restrictions started to gradually loosen in late April, when the first wave of the pandemic was subsiding.<sup>172</sup> That was

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<sup>169</sup> <https://www.vlada.gov.sk/premier-letiska-budu-zatvorene-zavadzaju-sa-docasne-hranicne-kontroly/>

<sup>170</sup> <https://www.rtvs.sk/televizia/archiv/13982/216533#110>

<sup>171</sup> <https://spravy.pravda.sk/domace/clanok/551922-nazivo-korcok-o-koordinacia-pri-otvarani-hranic/>

<sup>172</sup> <http://www.minv.sk/?tlacove-spravy&sprava=koronavirus-prve-otvorene-prevadzky-karantenne-povinnosti-nudzovy-stav-v-zdravotnictve-a-socialnej-sfere-kontroly-a-obmedzenia-na-hraniciach-i-v-beznom-zivote>

before the second wave hit the country in August,<sup>173</sup> with the situation only worsening since then.

As another example, Slovak diplomats negotiated agreements with neighboring countries such as Austria, Hungary or the Czech Republic on mutual aid in repatriating citizens of these countries.<sup>174</sup> These arrangements did not always go smoothly for Slovakia, due to the lack of discipline by the repatriated Slovaks. When repatriated by a neighboring country, some of them refused to board a bus for the last leg of repatriation to take them to a quarantine center in Slovakia, and instead decided to get home on their own, thus breaking quarantine. Such behavior caused diplomatic incidents with the Czech Republic and Hungary, which Slovak diplomats had to smooth over or risk losing the help of these countries with repatriation.<sup>175</sup> Another problem with repatriation was that several repatriated Slovaks went abroad again and then requested repatriation a second time, leading the government to declare that the Ministry of Foreign Affairs will only accept repatriation requests until April 2<sup>nd</sup>, to prevent such abuse.<sup>176</sup> A third example of continuity was a retention of focus on key partners of Slovakia's

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<sup>173</sup> <https://spravy.pravda.sk/domace/clanok/559770-pribudlo-16-novych-pripadov-otestovali-vyse-1400-ludi/>

<sup>174</sup> [https://www.mzv.sk/aktuality/detail/-/asset\\_publisher/Iw1ppvnScIPx/content/statny-tajomnik-m-klus-s-rezortnymi-partnermi-z-ceskej-republiky-a-madarska-o-spolocnom-usili-pri-repatriacii-obcanov?p\\_p\\_auth=2dc2uWH6&\\_101\\_INSTANCE\\_Iw1ppvnScIPx\\_redirect=%2Faktuality%2Fvsetky\\_spravy%3Frok%3D2020%26mesiac%3D2%26strana%3D1](https://www.mzv.sk/aktuality/detail/-/asset_publisher/Iw1ppvnScIPx/content/statny-tajomnik-m-klus-s-rezortnymi-partnermi-z-ceskej-republiky-a-madarska-o-spolocnom-usili-pri-repatriacii-obcanov?p_p_auth=2dc2uWH6&_101_INSTANCE_Iw1ppvnScIPx_redirect=%2Faktuality%2Fvsetky_spravy%3Frok%3D2020%26mesiac%3D2%26strana%3D1)

<sup>175</sup> [https://www.mzv.sk/aktuality/detail/-/asset\\_publisher/Iw1ppvnScIPx/content/ceska-republika-cestne-prehlasenie-o-tranzite-a-povinnost-nosit-rusku?p\\_p\\_auth=dog4NXtj&\\_101\\_INSTANCE\\_Iw1ppvnScIPx\\_redirect=%2Faktuality%2Fvsetky\\_spravy%3Frok%3D2020%26mesiac%3D2%26strana%3D2](https://www.mzv.sk/aktuality/detail/-/asset_publisher/Iw1ppvnScIPx/content/ceska-republika-cestne-prehlasenie-o-tranzite-a-povinnost-nosit-rusku?p_p_auth=dog4NXtj&_101_INSTANCE_Iw1ppvnScIPx_redirect=%2Faktuality%2Fvsetky_spravy%3Frok%3D2020%26mesiac%3D2%26strana%3D2)

<sup>176</sup> <https://www.mzv.sk/cestovanie/covid19/repatriacia>



development aid policy, such as Ukraine,<sup>177</sup> Moldova<sup>178</sup> and Kenya.<sup>179</sup> The focus has merely been broadened to include pandemic aid, which shows that the pandemic has not really shifted the main diplomatic goals of Slovakia.

Despite the continuity between the outgoing and incoming governments in dealing with the pandemic and in adherence to the common foreign policy consensus, there was one area where a certain amount of discontinuity between the old and new governments could be seen in the context of the pandemic response. This was the attitude towards aid from China. The previous government made a big show of acquiring material aid from China, with the outgoing Prime Minister Peter Pellegrini himself making an inspection of the cargo when one of the flights landed in Bratislava.<sup>180</sup> The aid was crucial because the EU was not prepared to deal with the pandemic early on. By contrast, the new government supported the view that the narrative of Chinese aid was mostly propaganda,<sup>181</sup> and that the aid, which was sometimes unusable due to quality issues, was actually pragmatic business for China instead of altruism.<sup>182</sup>

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[https://ec.europa.eu/slovakia/news/najnovsie\\_spravy\\_o\\_opatrenia\\_eu\\_v\\_suvislosti\\_s\\_covid-19\\_sk](https://ec.europa.eu/slovakia/news/najnovsie_spravy_o_opatrenia_eu_v_suvislosti_s_covid-19_sk)

<sup>178</sup> [https://www.mzv.sk/aktuality/detail/-/asset\\_publisher/Iw1ppvnScIPx/content/slovensko-pokracuje-s-pomocou-v-boji-proti-covid-19-v-moldavsku?p\\_p\\_auth=uypnwdr7&\\_101\\_INSTANCE\\_Iw1ppvnScIPx\\_redirect=%2Faktuality%2Fvsetky\\_spravy%3Frok%3D2020%26mesiac%3D6%26strana%3D1](https://www.mzv.sk/aktuality/detail/-/asset_publisher/Iw1ppvnScIPx/content/slovensko-pokracuje-s-pomocou-v-boji-proti-covid-19-v-moldavsku?p_p_auth=uypnwdr7&_101_INSTANCE_Iw1ppvnScIPx_redirect=%2Faktuality%2Fvsetky_spravy%3Frok%3D2020%26mesiac%3D6%26strana%3D1)

<sup>179</sup> [https://www.mzv.sk/aktuality/detail/-/asset\\_publisher/Iw1ppvnScIPx/content/slovensko-poskytuje-keni-humanitarnu-pomoc-v-suvislosti-s-bojom-proti-pandemii-covid-19?p\\_p\\_auth=uypnwdr7&\\_101\\_INSTANCE\\_Iw1ppvnScIPx\\_redirect=%2Faktuality%2Fvsetky\\_spravy%3Frok%3D2020%26mesiac%3D6%26strana%3D1](https://www.mzv.sk/aktuality/detail/-/asset_publisher/Iw1ppvnScIPx/content/slovensko-poskytuje-keni-humanitarnu-pomoc-v-suvislosti-s-bojom-proti-pandemii-covid-19?p_p_auth=uypnwdr7&_101_INSTANCE_Iw1ppvnScIPx_redirect=%2Faktuality%2Fvsetky_spravy%3Frok%3D2020%26mesiac%3D6%26strana%3D1)

<sup>180</sup> <https://slovensko.hnonline.sk/2115396-zasielku-skontroloval-aj-premier-ako-to-vyzeralo-v-utrobach-specialu-ktory-priviezol-milion-rusok>

<sup>181</sup> <https://digicomnet.medium.com/covid-19-and-chinas-changing-propaganda-tactics-in-slovakia-cf03fadafc34>

<sup>182</sup> <https://dennikn.sk/1830536/fakty-vs-dojmy-ako-slovensku-realne-pomahaju-rusko-cina-a-europska-unia/>

The pandemic overshadowed the original priorities of Slovak diplomacy this year, namely Brexit and negotiations over the 2021-2027 EU Multiannual Financial Framework (MFF). However, the pandemic pushed Brexit to the sidelines. Even more important was the MFF, though this issue was subsumed by the need for a mechanism to rescue the economies of the member states from the economic shock caused by the virus and the resulting lockdowns and travel bans. At first, discussions were centered around the issuing of the so-called coronabonds. Slovakia was skeptical of this scheme, since it would entail a transfer of wealth from EU members countries weathering the economic aspects of the pandemic better, to those members having larger problems. After the EU summit on April 23<sup>rd</sup>, discussion turned from coronabonds to a reconstruction fund, which Slovakia supported. In the debate whether the fund should consist of loans (advocated by the wealthier contributor Northern members of the EU) or grants (supported by poorer Southern members hit hard by the virus) Slovakia favored loans, due to its emphasis on fiscal responsibility and better results in the first wave of the pandemic, meaning it would not need the fund as much. EU negotiations resulted in the creation of the European Instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), consisting of favorable loans, as Slovakia preferred. Slovakia was assigned 631 million Euros out of the 90.3 billion Euros available.<sup>183</sup> Of this sum, Slovakia received 300 million Euros on December 1<sup>st</sup>.<sup>184</sup> When the deal on the MFF was finally reached in December,<sup>185</sup> the new Slovak Prime Minister Igor Matovič declared it a win for everyone.<sup>186</sup>

Apart from combating the pandemic, Slovakia's priority in its negotiations on the MFF was to ensure a strong EU cohesion policy, to aid

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<sup>183</sup> [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en)

<sup>184</sup> <https://www.trend.sk/spravy/slovensko-cez-nastroj-sure-dostane-300-milionov-eur-zmiernenie-rozpocetovej-zataze>

<sup>185</sup> <https://www.consilium.europa.eu/en/policies/the-eu-budget/long-term-eu-budget-2021-2027/>

<sup>186</sup> <https://www.vlada.gov.sk//premier-pri-dohode-o-rozpocete-eu-a-fonde-obnovy-boli-na-konci-vsetci-vitazmi/>

in its catching up to Western EU members. This goal is even more imperative because following Brexit, the EU budget shrunk due to the loss of British contributions. This means less money to be distributed among the EU members, with some net contributors pushing for a reduction in cohesion spending. On this issue, Slovakia and the other member states of the Eastern part of the EU (being post-communist states which acceded to the EU in 2004 or after), are pitted against not only the Western and Northern EU member states which suggest decreasing EU funding of cohesion projects, but also the Southern members of the EU, which are rivals for EU funding. Being a constructive player on the issue of the MFF was seen by Slovak politicians and diplomats as a way to ensure a stronger position in negotiations over the retention of a strong cohesion policy as well as over the distribution of cohesion and structural funds, thus ensuring Slovakia the largest possible slice of the pie.

Despite the elections, political divisions and the pandemic, there has mostly been continuity in Slovak external policy, due to the foreign policy consensus (and a professional medical consensus on handling the pandemic). Slovakia still looks to the EU as the main guarantor of its political, economic and social security (with NATO looking after military security), notwithstanding some populist posturing by certain political segments in the country. There has been a shift in the attitude towards countries outside the Western value sphere such as China, Russia or Belarus, but this shift is mostly rhetorical. But the main goals of Slovak diplomacy – a close partnership with neighbors ensuring a strong Slovak voice in a strong EU, a robust cohesion policy – have persisted.

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## **An eventful year 2020 for Slovenian foreign policy**

**Helena Motoh**

*Summary: The global political balance was severely shaken during the pandemic, indicating several changes. During this period, solidity and solidarity between EU Member States proved to be much more true on paper than in real life. Perhaps this is one of the reasons why Slovenia, at the worst moments, started to connect more with the countries of the region, as interdependence became even more obvious. Of course, in Slovenia, as in other parts of the world, foreign policy was most affected by the COVID-19 epidemic, but we should not neglect other important intergovernmental developments and processes, such as the migrant issue, transport issues between neighbouring countries, the political turnaround and the ever greater rapprochement with the Visegrad group. At the end of the year, however, foreign policy developments were marked by two other historically tinged events; the centenary of the Carinthian plebiscite and the return of Trieste National Hall to the Slovenian community in Italy. The implementation of the arbitration award and the newly raised issue of the proclamation of an exclusive economic zone in the Adriatic by Croatia and Italy remain open and will probably only be resolved next year.*

### **Border crossings protocols required a lot of diplomatic engagement in the first half of the year**

The outbreak of the pandemic showed that solidarity between EU Member States cannot be relied upon. Each country had too much work to do on its own, and even the responsible institutions in Brussels were not prepared for such a course of events. For this, Slovenia had to find its own way when it came to procuring protective equipment. Unwillingness, naivety and the smell of easy money were the main guidelines in most of

the first public procurements for the purchase of protective equipment. However, later contracts showed better cooperation, especially with neighbouring countries, which helped each other find suppliers as well as transport.

After initial problems with protective equipment, which was lacking throughout Europe, the second quarter of the year was more marked in the foreign policy arena by agreements with neighbours on border crossings protocols, mainly due to the epidemiological situation in the respective countries.

Slovenia shares borders with four European countries and has numerous international and local border crossings. Some of these countries were among the main European hotspots for coronavirus infections. Due to its location at the crossroads between Western, Southern and Eastern Europe, Slovenia is an extremely transit country and has therefore made every effort to ensure that restrictions limiting the spread of COVID-19 affect the transit of goods as little as possible. However, the provisions restricting the transit of persons have severely affected binational landowners who own and cultivate land on both sides of the border. Transition and consequent pursuit of activities was restricted both by national intervention laws and by similar laws in the foreign countries where farmers own their land.

In June the epidemiological situation in Europe improved, and countries were slowly reopening their borders. However, opening the borders and restoring of the Schengen area broad about new obstacles and challenging bilateral agreements. These were eventually overcome as most countries looked to open their doors wide with the upcoming summer tourism season and the economic benefits it would bring.

Despite the partial normalisation of the border situation due to the improved epidemiological situation in Europe in the following months, controls at some internal borders of the Schengen area were maintained throughout the year. Austria, for example, extended this control for another

6 months in October, citing migration pressure and maintenance of internal security in addition to the COVID-19 pandemic situation.

### **A year of anniversaries of historical and diplomatic flaws**

In 2020, Slovenia celebrated the centenary of the Carinthian plebiscite, an unusually long-lasting historical phenomenon affecting Carinthian Slovenes. One hundred years ago, when Carinthia voted in a plebiscite for Austria rather than Yugoslavia, a tenth of the Slovenian population remained on the other side of the border. The German nationalist program ensured that the denationalization that followed the plebiscite was as successful as possible. According to official figures, only 13,000 Slovenes live there today, showing that the situation is much worse than for minorities elsewhere in Europe. Like the centenary of the Carinthian plebiscite, this year was also marked by the recent commemoration of the centenary of the arson of the Trieste National Hall (Narodni dom) by the Fascists. Another sad story of tensions between the majority population in Italy and the Slovene minority. Their position in Italy is not an example either. New traces of nationalism, which is on the rise all over Europe, are clearly visible, and it is increasingly affecting the rights and lives of members of the Slovene minority.

In addition to historical commemorations, 2020 also created new processes that will take a place in future history. With the border between Slovenia and Croatia still unresolved despite the arbitration award, Croatian and Italian decision-makers have begun to push for a new solution to the Adriatic border, with Slovenia not being an equal partner and likely to lose no matter how the deal turns out. The December meeting of the heads of diplomacy of Italy, Slovenia and Croatia did not result in the signing of a joint declaration before the declaration of Croatian and Italian exclusive economic zones in the Adriatic. They did, however, agree on a new mechanism to strengthen cooperation in maritime governance. The abolition of the high seas, as proposed by Italy and Croatia in the Adriatic through the establishment of exclusive economic zones, addresses many



problem areas and unresolved issues, such as the strategic identity of the Mediterranean, fishing as a virtually disappearing industry and the strategic position of the Port of Koper, which could lose its competitiveness in Adriatic, Mediterranean and global maritime transport with such unilateral moves by its neighbours.

The Port of Koper, which signed a cooperation agreement in Ningbo (China) in 2018 aimed at strengthening trade between China and Central and Eastern Europe countries, has thus officially become part of the initiative to establish a new Silk Road. This initiative involved all the ports of the Northern Adriatic, creating a kind of competition between them. The race ended last year with the signing in Rome of a high-profile agreement between the Italian and Chinese governments on trade and infrastructure cooperation under the Belt and Road Initiative, making the Port of Trieste the tip of the Maritime Silk Road in the Adriatic. Slovenia, on the other hand, seems to rely more on EU agreements for international trade deals and does not promote its economic gems nearly enough. Although this year's 3<sup>rd</sup> China International Import Expo in Shanghai attracted a large number of companies from all over the world and positioned itself even more as a strategic event for international trade, Slovenia, which seemed to be successful in previous editions of the CIIE, has completely withdrawn from this year's Expo. The reasons for this absence seem to remain unclear.

### **Demagogy is increasingly replaced by political populism in Slovenia**

The situation in the country at the beginning of the coronavirus epidemic showed a rather critical attitude of the Slovenian government towards the European Union and European solidarity during the pandemic. Prime Minister's statement that we could rely mainly on ourselves and our friends in the region was interpreted by many as a governmental turn in Slovenian foreign policy away from the traditional core of the EU and towards the Visegrad group, where populists of the far right came to power in recent years. This was followed by numerous accusations and warnings

of undermining the rule of law and a departure from traditional European values. Populism, which is also on the rise in Slovenia's political leadership (Prime Minister communicates with the media exclusively through his Twitter profile), reached a critical point when the prime minister became the first politician in the world to congratulate Donald Trump on his re-election. To date, he has not withdrawn those congratulations, nor has he congratulated the newly elected US President Joe Biden. A decision that could lead to a deterioration in foreign policy relations between Slovenia and the US in the future.

### **Conclusions**

In addition to the problems caused by the epidemic of coronavirus, Slovenia received new political leadership at the beginning of the year with the resignation of the then Prime Minister, which also reshuffled the cards in the foreign policy arena. Since Janez Janša's government took office, Slovenia has significantly changed its attitude towards EU members and its view of the mechanisms being created in Brussels, and at the same time try to score points with the overseas superpower while poorly assessing the outcome of the last elections and openly supporting the candidate who later turned out to be the loser. Although it sometimes seems that Slovenia really intends to join the Visegrad Four, which operate on the principles of the right-wing conservative political current, on other occasions it seems to be moving away not only from the traditional core of European Union but from everything and everyone. Where this self-will may lead Slovenia, as one of the smallest countries in the region, will probably become clear in the coming year.

